NC DEPARTMENT of COMMERCE
COMMUNITY REVITALIZATION

RenewNC
HOUSING

North Carolina Department of Commerce
Division of Community Revitalization
Workforce Housing for Ownership
Policies and Procedures

Version 1.0 – July 7, 2026

Table of Contents

Version Control

Version Number	Date	Summary of Changes	Approved By
1.0	July 7, 2026	Initial Version	M. Battaglin

Version Policy

Version history is tracked in the Version History Table (page ix), with notes regarding version changes. Dates of each publication are also tracked in this table. Substantive changes in this document that reflect a policy change will result in the issuance of a new version of the document. For example, a substantive policy change after the issuance of Version 1.0 would result in the issuance of Version 2.0, an increase in the primary version number. Non-substantive changes such as minor wording and editing or clarification of existing policy that do not affect interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number (i.e., Version 2.1, Version 2.2, etc.).

Policy Change Control

Policy clarifications, additions, or deletions may be needed during the Program to more precisely define the rules by which the Program will operate. Policy decisions will be documented and will result in the revision of the document in question. Unless otherwise noted, policy revisions are applied prospectively, made effective on the date of document approval.

Glossary

A full and comprehensive Glossary of Terms can be found on the North Carolina Department of Commerce – Division of Community Revitalization's website.

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, as authorized under Public Law 118-158. This allocation supports unmet needs and resilient recovery activities within counties designated as Most Impacted and Distressed (MID).

To coordinate recovery and rebuilding across affected communities, the Governor designated the North Carolina Department of Commerce – Division of Community Revitalization (DCR) as the lead agency responsible for directing the use of disaster recovery funds and overseeing implementation across state agencies and local governments.

DCR developed a suite of recovery programs—outlined in the State's HUD-approved Action Plan for the Use of CDBG-DR Funds—to address major unmet needs including housing, infrastructure, and economic recovery.

As part of these recovery efforts, the State created the Workforce Housing for Ownership (WHFO) Program to expand affordable homeownership opportunities for households earning up to 80% of Area Median Income (AMI).

This Program Guide outlines WHFO Program policies, procedures, and requirements and serves as the operating manual for creating new affordable homeownership opportunities.

2. Program Overview

2.1 Renew NC Workforce Housing for Ownership Program Overview

The Renew NC Workforce Housing for Ownership (WHFO) Program allocates $53,380,000 in CDBG-DR funds to support the development of affordable homeownership opportunities within eligible HUD-designated MID areas. Program funding is distributed as follows:

- $44,066,150 for housing activities
- $9,313,850 for mitigation activities

Awards will be made through a competitive Notice of Funding Opportunity (NOFO) open to eligible applicants. All WHFO investments must occur within HUD-identified MID areas, and program benefits are restricted to households earning no more than 80% of Area Median Income (AMI).

Applicants must describe in their NOFO submission how they will implement all required program structures, including funding, reimbursement, and homebuyer-assistance mechanisms. All proposals must include a binding commitment to a minimum affordability period of 15 years.

2.2 Maximum Award Amount

Eligible applicants may receive grant awards between $2 million and $5 million.

2.3 Per Unit Maximum Subsidy

DCR will provide a maximum award of $250,000 per beneficiary or housing unit.

2.4 Exceptions to Award Limits

Exceptions to both the maximum award amount and the per-unit maximum subsidy may be considered on a case-by-case basis when documented cost overruns arise after project implementation has begun. These exceptions may be warranted when applicants receive more or less funding than originally anticipated from other sources, resulting in a change to the DOB calculation.

Exceptions will not be granted at the proposal or award stage and remain subject to available program funds as well as all applicable WHFO rules and approval requirements. All exceptions will be reviewed to ensure they are necessary and reasonable.

2.5 Program Authority

The WHFO 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 lead administrator for the WHFO Program. DCR ensures compliance with all federal and state mandates and will manage program implementation, oversight, reporting, and monitoring. Summaries of all Federal and State requirements can be found in Appendix A.

2.6 Funding Structure

Mixed-income and mixed-use developments may be considered eligible; however, WHFO funds may only be applied to residential units serving eligible LMI households and their directly associated costs. WHFO funds may not be used for non-residential components or for residential units that do not serve LMI households. DCR may adjust the final CDBG-DR award amount based on funding availability, project feasibility, and alignment with program objectives.

2.7 Expenditure of Funds

CDBG-DR funds must be obligated to subrecipients or developers and fully expended within six years from the date HUD obligated the funds to DCR, unless HUD grants a waiver. Expenditures must also occur within the timeframe specified in each subrecipient or developer agreement.

2.8 Purpose of Guide

This program guide serves as the authoritative manual for the implementation of the WHFO 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.

3. Program Oversight and Administration

DCR will administer the WHFO Program through direct implementation and contracted support services. Program activities must comply with the requirements set forth in:

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

3.1 Roles and Responsibilities

DCR will work with developers, subrecipients, contractors, or any combination of these entities to implement the WHFO 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); and 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.

3.1.1 North Carolina Department of Commerce (DCR) Division of Community Revitalization (DCR) Responsibilities

- Serving as the program administrator and CDBG-DR fund manager
- Issuing Notices of Funding Opportunity (NOFOs) and application materials
- Overseeing 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 managing program implementation and oversight, and

- Reporting to HUD on program expenditures, milestones, and deliverable outcomes through the Disaster Recovery Grant Reporting (DRGR) system

3.1.2 Applicants/Developers/Subrecipients Responsibilities

- 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
- Ensuring each assisted home is sold to an income-qualified household and is placed under a minimum 15-year affordability period, monitored and enforced by the responsible entity

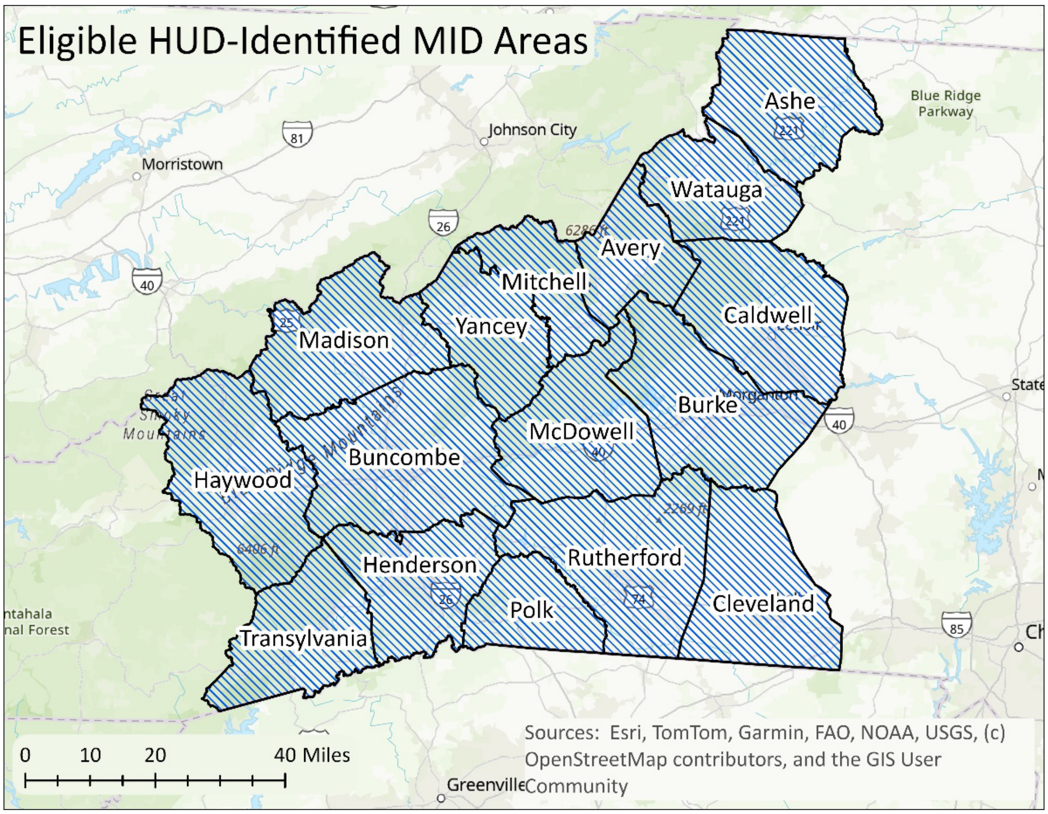
3.1.3 Third-Party Consultants/Contractors Responsibilities (if applicable)

- 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

4. Program Eligibility Requirements

4.1 Eligible Geographic Area

To qualify for assistance under the WHFO Program, properties must be located within a HUD-identified MID area. The eligible HUD MID areas are limited to Ashe, Avery, Buncombe, Burke, Caldwell, Cleveland, Haywood, Henderson, Madison, McDowell, Mitchell, Polk, Rutherford, Transylvania, Watauga, and Yancey Counties.



4.2 Tie-back to the Storm

WHFO 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. HUD has defined mitigation activities as those that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters.

4.3 Meeting a National Objective

All activities funded through the WHFO Program must meet a national objective as required by CDBG-DR regulations at 24 CFR 570.483 and the 2025 Revised Universal Notice. For the WHFO Program, DCR specifies the Low- and Moderate-Income Housing (LMH) objective as the pathway for demonstrating eligibility.

To meet the LMH national objective, 100% of assisted units must be:

- Sold to households at or below 80% of Area Median Income (AMI) at the time of purchase, and
- Subject to a minimum 15-year- affordability agreement

Applicants must submit a complete documentation package that includes a unit mix and price schedule demonstrating LMI compliance, an Affordability Plan, a development budget showing the proportional application of CDBG-DR funds, and clearly defined income verification procedures. Applicants must also describe the mechanisms they will use to enforce the required 15-year affordability period, including how the affordability agreement will be monitored and maintained over time.

4.4 Eligible Applicants

DCR accepts WHFO Program applications from a range of qualified entities. Eligible applicants include:

- For-profit housing developers
- Non-profit housing developers, including CHDOs and CBDOs
- Community Land Trusts (CLTs)
- Public housing authorities and local governments
- Joint ventures among any eligible entities that demonstrate sufficient development capacity and financial management
- Other applicant types at DCR's discretion, provided they can demonstrate the ability to develop, own, or manage affordable housing in compliance with CDBG-DR and WHFO requirements

4.5 Applicant Requirements:

- Must be legally organized to develop and convey affordable 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 or state programs

4.6 Eligible Properties and Sites

Eligible property types under the WHFO Program must:

- Be designed for for-sale residential use
- Meet all applicable program construction, accessibility, environmental, zoning, broadband, and energy efficiency requirements.
- Qualify as real property under North Carolina law, including being permanently affixed to land and transferable by deed.
- Not be a manufactured homes or mobile homes located within any flood zone (including 100-year, 500-year, or non-encroachment areas) as these properties are not eligible for funding.

4.6.1 Site Eligibility Criteria

- Sites must be suitable for residential development and must meet all environmental, legal, and zoning requirements prior to award or project initiation.
- Sites must be zoned for residential use or show a clear and feasible path to rezoning approval within 90 days of a conditional award.
- In alignment with the Federal Flood Risk Management Standard (FFRMS), sites located within the 100-year floodplain, 500-year floodplain, floodway, or state/federal non-encroachment areas are ineligible unless the project meets HUD floodplain management requirements.

4.6.2 Site Control

Applicants must provide evidence of site control through a deed, purchase option, purchase and sale agreement, ground lease, option for ground lease, or other form acceptable to DCR. Documentation must be in the applicant's name or a related entity within the development structure; relationship documentation must be provided where applicable.

4.6.3 Infrastructure Readiness

Sites must have, or have a feasible plan for access to:

- Water and wastewater services
- Electricity and other utilities required for occupancy

- Broadband service, unless DCR grants a waiver due to infeasibility or undue burden
- Public roadways or easements suitable for site access

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

- Identify responsible parties and committed funding sources
- Demonstrate that required improvements will not delay project start or completion

4.7 Additional Site Considerations

- Projects involving occupied properties are not eligible for WHFO funding. Any project that would trigger requirements under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) is not eligible.
- 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.
- Preference may be given to sites located near public infrastructure, community services, and employment centers.

4.8 Eligible Activities

The WHFO Program will fund eligible activities that support the construction and rehabilitation of affordable homeownership housing. In accordance with Title I of the 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 WHFO 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)(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
- Revised Universal Notice - New Housing Construction – Section III.D.5.a.

Related infrastructure costs that directly support WHFO-eligible housing may be permitted when they are necessary, reasonable, and integral to the viability of the project. However, such costs will be evaluated for cost-effectiveness, and NOFOs may limit or condition eligibility for these expenses based on available funding and program priorities. For additional information, see Section 9.1 Allowable Costs.

4.9 Ineligible Activities

Unless clearly related to eligible activities and costs described above, all other activities and associated costs are deemed ineligible for WHFO 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 that are 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-WHFO funding sources;
- Political, lobbying, or legal fees unrelated to program delivery;
- Costs more than the allowable per-unit subsidy limits, as established by DCR
- Development in ineligible areas, based on best available data, 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) and 500-year floodplains, 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)
    - Areas with known land movement or potential for landslides, such as those identified in FEMA or state geotechnical hazard maps
    - Any site located within a non-encroachment area
    - 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.

5. Homebuyer Eligibility Requirements

Subrecipients and developers are responsible for determining the eligibility of all homebuyers applying for WHFO Program assistance. To ensure that WHFO assistance supports households prepared for sustainable homeownership, applicants must meet all homebuyer eligibility requirements described in this section.

- Household income must be at or below 80% of Area Median Income (AMI), as published annually by HUD and adjusted for household size.
- The homebuyer must obtain a fixed-rate mortgage loan with a term at least equal to the 15-year Affordability Period.
- Homebuyers must comply with all federal Duplication of Benefits (DOB) requirements.
- Homebuyers must meet federal immigration eligibility requirements under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), including completion of required verification (e.g., SAVE).
- Homebuyers may not hold more than $50,000 in liquid assets. Any liquid assets exceeding this limit must be applied toward the required homebuyer subsidy amount. Retirement accounts—including IRAs, Roth IRAs, 401(k) plans, and similar qualified retirement vehicles—are excluded from this calculation. Education-related and health-related tax-advantaged accounts, including 529 college savings plans, Coverdell ESAs, Health Savings Accounts (HSAs), and Flexible Spending Accounts (FSAs), are also excluded from the liquid-asset limit.
    - Asset levels will be verified through required financial documentation, including bank statements and applicable disclosures. All asset documentation must reflect account balances from the most recent 90-day period.
    - Retirement accounts, Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs), 529 college savings plans, and other qualified tax-advantaged accounts will be reviewed solely to confirm that they meet the criteria for exclusion. These are to be reviewed by the subrecipient or developers.

5.1 Homebuyer Education Requirement

Homebuyers must complete a HUD-certified pre-purchase homebuyer education course. Certificates of completion must be dated within the last twelve (12) months of the home purchase. Subrecipients and developers are responsible for verifying completion.

5.2 Funding Structure for Homebuyers

Applicants must describe in their NOFO submission the structure they will use to provide and enforce homebuyer affordability, including the form of subsidy, forgiveness or repayment terms, and compliance controls. All proposals must include a binding commitment to a minimum 15-year affordability period for assisted properties or their beneficiaries.

Income eligibility applies only at the time of sale. Throughout the affordability period, the assisted property must be maintained as the primary residence of an income-eligible beneficiary. The subrecipient or developer is responsible for monitoring compliance with the primary residency requirement and verifying income eligibility for any subsequent beneficiary during the affordability period.

Any sale, transfer, vacancy, or abandonment during the affordability period will trigger the program's recapture requirements for any unforgiven or outstanding subsidy amount unless:

- The property is sold to another income-eligible beneficiary who will occupy the home as their primary residence, or
- The transfer otherwise meets program requirements or receives prior DCR approval.

5.3 Buyer Underwriting Criteria

Criterion 1 — Buyer Financial Contribution: Participating buyers must contribute to the purchase price toward their down payment and closing costs. Buyers are recommended to maintain savings equal to at least three (3) months of their total housing payment (PITI/HOA) in non-retirement accounts.

Criterion 2 — First Mortgage Structure: Buyers must meet the underwriting criteria of the mortgage lender. The homebuyer's primary mortgage must be a fully amortizing loan with a fixed interest rate. Adjustable-rate, interest-only, balloon payment, no-documentation, or other non-standard loan products are not permitted.

Criterion 3 — Housing Debt Evaluation: The homebuyer's proposed monthly housing costs, including principal, interest, property taxes, and property insurance (PITI), will be evaluated by the primary lender during underwriting. DCR will conduct independent reviews to determine cost reasonableness.

5.4 Refinancing and Subordination Requirements

If the homebuyer subsidy is structured as a secondary mortgage in the form of a forgivable loan, the loan remains subject to all refinancing and subordination requirements throughout the affordability period.

Any cash-out refinancing, home-equity loan, or other loan secured by the property during the affordability period requires prior approval by the subrecipient and must be reported to DCR. Subordination of the WHFO-funded subordinate mortgage is generally prohibited but may be approved for:

- Refinancing to obtain a lower interest rate or monthly payment (no cash-out permitted)
- Preventing foreclosure
- Financing necessary home repairs or rehabilitation when funds are held in escrow

Any violation of refinancing or subordination requirements activates loan repayment provisions.

5.5 Affirmative Fair Housing Market Plan (AFHMP)

All developers and property managers participating in the WHFO 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) form 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.

5.5.1 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 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 as required by law. To ensure consistent implementation, the plan must demonstrate how all relevant 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 are required before any homebuyer marketing or outreach activities may begin. No advertising, promotions, or applicant engagement may occur until the plan has been reviewed and approved by DCR.

Failure to submit, obtain approval for, or implement an AFHMP may result in corrective actions consistent with federal regulations at 2 CFR 200.208 and 200.339. These actions may include requiring preparation or revision of an AFHMP, imposing additional conditions or monitoring requirements, adjusting or withholding funds, disallowing costs, suspending project activities, terminating the award, or recapturing funds that were improperly used or not adequately supported.

5.6 Homeowner Selection Plan

All WHFO Program-assisted homeownership projects must adopt and implement a Homeowner Selection Plan (HSP), prepared by the project sponsor, developer, or program administrator and carried out by designated staff. The HSP governs the process for identifying and selecting eligible homebuyers and must ensure a fair, transparent, and consistent process that complies with all federal requirements and meets program income-targeting and long-term affordability objectives. The plan must remain in effect for the full affordability period and be updated as needed to reflect changes in law, policy, or market conditions.

At a minimum, the HSP must define eligibility standards, including income limits, household size considerations, and any project-specific priorities such as displaced households or community stabilization goals. Where applicable, the HSP must address citizenship or immigration requirements. Screening procedures must be clearly explained, including the use of credit checks, financial capacity assessments, and verification of homebuyer readiness. The plan must also specify alternative methods for verifying eligibility if standard documentation is unavailable.

The HSP must outline how applicant lists or waiting lists will be established and managed, define procedures for applicant communication and selection, and establish policies for denial or removal from consideration. It must affirm compliance with the Fair Housing Act, Section 504, and the ADA, include 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 requirements and affordability restrictions, including initial eligibility and any required follow-up monitoring, and must include a grievance procedure that allows applicants to appeal denials or raise concerns about the selection process.

A draft HSP must be submitted to DCR at least thirty (30) days before the start of buyer outreach or marketing and must receive approval prior to the execution of any purchase agreements for program-assisted homes. Once approved, the HSP must be maintained at the project site and in the project sponsor's central records, reviewed annually, and revised as necessary to ensure continued compliance.

Program administrators are responsible for implementing the HSP and must maintain accurate records of all applications, eligibility determinations, waiting list activity, and accommodation requests. Records must be stored securely, retained for at least five years after the end 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 HSP may result in corrective actions.

6. Affordability Periods, Resale, and Recapture Requirements

6.1 Affordability Period Instruments and Requirements

Under a standard WHFO structure, the homeowner subsidy may be provided as a second mortgage recorded against the property, accompanied by a recorded Land Use Restriction Agreement (LURA) to ensure compliance with the Affordability Period and all related program requirements. When that model is leveraged, the following restrictions apply:

6.1.1 Transfers That Do Not Trigger Repayment

If the property is sold, transferred, inherited, or otherwise conveyed to an income-restricted buyer who meets all program requirements and agrees to assume the remaining Affordability Period obligations, repayment of the second mortgage will not be triggered.
In such cases:

- The loan continues under its existing terms and forgiveness schedule.
- The second mortgage remains recorded against the property.
- The LURA stays in effect for the remainder of the Affordability Period.

6.1.2 Standard Forgiveness Schedule

Under the standard structure, the second mortgage will be forgiven at ten percent (10%) per year starting in year six (6). At the end of the Affordability Period:

- Any remaining mortgage balance is fully forgiven.
- The second mortgage lien is released.
- The LURA is removed in accordance with program requirements.

Proposed deviations from the Standard Forgiveness Schedule will be considered as part of a project's application and may be approved by DCR by way of a resulting subrecipient or developer agreement.

6.1.3 Repayment Requirements

If the property is sold during the Affordability Period to a household that does not meet income-eligibility requirements, the subrecipient or developer must recapture from the homebuyer the unforgiven portion of the assistance. All recaptured funds must be returned to DCR unless an alternative use or retention is expressly authorized by the subrecipient or developer agreement. Any repaid or returned funds must be reinvested in eligible housing activities that meet a CDBG-DR-compliant housing national objective.

Repayment terms:

- Limited to the outstanding principal balance at the time of sale.
- No interest, penalties, or additional fees may be charged.
- Amount is calculated based on the forgiveness schedule in effect at the time of sale.

6.1.4 Alternative Affordability Structures

Subrecipients or developers may propose alternative funding mechanisms or affordability assistance structures if they:

- Meet or exceed the required minimum 15-year affordability period.
- Provide deeper affordability for lower-AMI households; proposals that extend affordability to lower-income households may receive additional consideration or higher scoring in competitive NOFO processes.

6.1.5 Hardship-Related Sales

If a sale occurs due to an involuntary event—such as death of the homeowner, divorce requiring sale, or other hardship circumstances—the subrecipient or developer may request a hardship review from DCR or its designee. DCR (or its designee) may, at its sole discretion, approve a partial or full waiver of repayment.

6.2 Income Verification

Subrecipients and developers are responsible for ensuring that income eligibility is properly documented. Income must be verified using either the IRS 1040 Long Form – Adjusted Gross Income method or the HUD Part 5 income-determination method. Subrecipients and developers may select which method to use but must apply it consistently once selected. All income documentation and calculations are subject to DCR review and approval upon request.

6.3 Income Targeting

Assisted homes must be sold to households earning no more than 80% of Area Median Income (AMI). DCR may set deeper income targeting requirements or priorities (such as 60% AMI) in individual NOFOs based on recovery needs. Household income must be verified at the time of purchase. DCR will review required documentation, and corrective actions may be imposed if a home is found out of compliance with applicable program standards.

6.4 Developer and Subrecipient Documentation Requirements

Developers, subrecipients, and implementing partners must maintain documentation verifying:

- Homebuyer income eligibility at the time of purchase

- Homebuyer selection and eligibility documentation demonstrating adherence to fair housing and program requirements
- Compliance information to DCR or its designee, as requested, including:
    - Owner-occupancy status
    - Any resale, transfer, or refinancing events during the compliance period
    - Updates regarding changes that could affect compliance with program requirements

6.4.1 Responsibilities of DCR or its designee, include:

- Conducting annual monitoring reviews (desktop and/or onsite) to verify compliance
- Verifying adherence to the 15-year affordability period and all related program terms.

6.4.2 Consequences of noncompliance include but are not limited to:

- Repayment or recapture of CDBG-DR funds
- Issuance of monitoring findings or concerns requiring corrective action
- Loss of eligibility for future funding under the WHFO 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.

7. Duplication of Benefits (DOB) Review

HUD CDBG-DR funding is the 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.

WHFO 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, USACE, 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. Failing to disclose overlapping funds or misrepresenting information can result in denial of funding, repayment, or further investigation.

For additional information, see DCR's Duplication of Benefits Policy. Information about how to identify and exclude non-duplicative amounts from a duplication of benefits review are contained within the DOB Policy.

7.1 Offsetting Awards and Monitoring

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

- Report the funds to DCR within 15 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 or accounted for, regardless of when the applicant received it.

Failure to disclose additional assistance may result in:

- Recapture of part or all 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

Assistance includes, but is not limited to, the following:

- Cash awards
- Insurance proceeds
- Grants
- Subsidized loans
- Other funds from local, state, or federal programs

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, USACE SBA, insurance, and other federal/state/local sources to verify compliance
- Follow-up communication with applicants when potential duplications arise.

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

WHFO 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 project sources and uses, developer fees, and return on investment to confirm that all costs are necessary and reasonable. Projects must also comply with the per unit funding limits established earlier in this document. Compliance with both the SLR and the program's per unit limits will be verified during application review and underwriting.

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 refer to DCR's DOB Policy and Procedures for further information.

7.3 Beneficiary Duplication of Benefits Review

Awarded subrecipients or developers must prepare and maintain a Duplication of Benefits (DOB) plan that complies with DCR's DOB Policy and Procedures. This plan is not required at the time of application, but it must be submitted to DCR and approved before the subrecipient or developer may accept any homebuyer applications.

The DOB plan must show how the subrecipient or developer will:

- Assess total need — Determine the full, reasonable, and necessary project cost for the homebuyer.
- Exclude non-duplicative amounts — Identify assistance that does not duplicate CDBG-DR funds and ensure it is excluded.
- Reassess unmet need — Update calculations when project costs change or when additional assistance is received.
- Identify total assistance — Document all sources of assistance, including insurance, FEMA assistance, such as HMGP buyouts, SBA, tax credits, HUD programs, USDA loans, USACE funding, state or local grants, and philanthropic funds.
- Identify the DOB amount and calculate the CDBG-DR award — Determine whether assistance overlaps and calculate the correct award amount.

The DOB plan must also include DCR's requirement that all assisted households or entities, including homebuyers, sign a repayment or subrogation agreement. This agreement confirms repayment of any assistance later received for the same purpose, such as an unexpected insurance payout, if total assistance ends up exceeding total need.

8. Environmental Reviews

All WHFO projects must comply with the National Environmental Policy Act (NEPA) and 24 CFR Part 58. As the Responsible Entity (RE), DCR conducts or adopts required environmental reviews, maintains the Environmental Review Record (ERR), evaluates potential hazards, and ensures no choice-limiting actions occur before environmental clearance. Developers must supply necessary documentation and implement all required mitigation measures.

8.1 Role of Responsible Entity in Environmental Reviews

As the responsible entity, DCR will:

- Complete required environmental reviews
- Publish public notices
- Maintain the Environmental Review Record (ERR)
- Prepare Requests for Release of Funds (RROF)
- Verify no choice-limiting actions occurred prior to the Authorization to Use Grant Funds (AUGF)
- Issue environmental clearance before projects proceed

DCR may, where permitted, delegate components of the review or adopt reviews completed by authorized local or state agencies. Any delegation must be documented through written agreement. DCR remains ultimately responsible for compliance.

8.2 Restrictions on Obligating or Expending Funds

No WHFO project funds may be obligated nor expended until:

- The environmental review required under 24 CFR Part 58 is complete, and
- HUD issues an Authorization to Use Grant Funds (AUGF) and DCR receives approval.

8.3 Environmental Review Costs

- DCR will pay all environmental review costs.
- These costs are not charged to the project and do not count toward maximum award limits.

8.4 Prohibition on Choice-Limiting Actions

Before environmental clearance is issued, developers, contractors, and borrowers must not take any action that would limit the range of reasonable alternatives.

Prohibited actions include:

- Property acquisition
- Executing leases or long-term options
- Site preparation or ground disturbance
- Construction, rehabilitation, repair, demolition, or conversion
- Moving or relocating structures
- Any financial commitments tied to project development

Violations may result in project disqualification, ineligible pre-agreement costs, or cancellation of funding.

All sites must undergo review under 24 CFR Part 58. Sites located in regulatory floodways, airport runway approach zones, landslide-prone areas, areas with significant contamination, or other unsuitable locations may be deemed ineligible unless exceptions apply.

Applicants must comply with all mitigation measures identified in the environmental review. Failure to comply may result in recapture of funds or loss of eligibility for future awards.

8.5 Scope of Review

Depending on project type and location, the environmental review may assess:

- Historic preservation compliance
- (Section 106) Floodplain and wetlands impacts
- Hazardous materials and contamination
- Land use compatibility and zoning Soil suitability, topography, and stormwater concerns Impacts on public services and infrastructure capacity
- Air quality, noise, endangered species, and ecosystems
- Socioeconomic impacts, including potential displacement
- Environmental justice considerations

After completion of the review and issuance of clearance, DCR will notify subrecipients that the project may proceed, subject to compliance with all required mitigation measures.

Subrecipients must notify DCR if:

- There are substantial changes to scope, magnitude, or activities
- New environmental conditions are discovered
- An alternate scope of work is proposed

8.6 Information Required for Environmental Review

Applicants, developers, and contractors must submit all documentation required to complete the environmental review and respond promptly to requests for additional information. Failure to provide the needed materials or delays in responding may halt the review and render the project ineligible for funding.

9. Application Process

9.1 Project Pre-Screening

Prior to the application submission cycle opening for WHFO, 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 help DCR assess unmet need and to assist potential applicants in understanding whether a proposed project will meet threshold requirements and whether an applicant has the organizational capacity and experience to manage funds.

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

DCR expects 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 DCR Program staff prior to submitting a formal application.

9.2 Notice of Funding Opportunity (NOFO)

DCR will implement the WHFO 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 WHFO projects. 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.

9.2.1 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.

9.2.2 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, or
- 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.

9.2.3 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.

9.3 Competitive Application Process and Threshold Criteria

The WHFO Program will use a competitive application process to fund WHFO projects that support recovery from Hurricane Helene. DCR anticipates having one round of competitive applications, though multiple rounds may be conducted to effectively use available funds and meet evolving recovery needs if funding remains available.

9.3.1 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.

9.3.2 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
- Preliminary Site Plan and Building Design (if available) – Including unit mix and layout
- Organizational Experience and Capacity with affordable housing development – Narrative and resumes of key development staff
- Project Schedule – Milestones from acquisition through completion
- Explanation of Service to LMI Populations — A narrative describing how the proposed project will meet the housing needs of low- and moderate-income households.
- Zoning Documentation – Proof of current zoning or path to approval (used in scoring)

- Site Control Documentation – Deed or purchase option (used in scoring)
- Environmental and Risk Information – Known conditions, FEMA flood zones, and potential hazards
- Displacement Certification – Documentation verifying that no businesses or individuals will be displaced as a result of the proposed project.

9.3.3 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.

9.4 Threshold Criteria

Applications must meet **all** threshold criteria below to advance to the scoring phase:

1. **Eligible Applicant:** For-profit entities; non-profit organizations; public sector partners, such as local governments, PHAs, and other designated public agencies; CHDOs; and CBDOs. The application must demonstrate experience or capacity in developing affordable housing, and must demonstrate experience or capacity in meeting the program's requirements during the affordability period.
2. **Eligible Project Location:** Must be located within the HUD MID area as defined in the HUD-approved Action Plan. Projects may not be in a regulatory floodway, airport runway approach zone, or on sites with known toxins/severe contamination. Must comply with the Farmland Protection Policy Act (FPPA) if applicable to site conversion or acquisition.
3. **Disaster Tie-Back:** 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 be a mitigation activity funded through the mitigation set-aside:
4. **LMH National Objective:** The project must meet the Low- and Moderate-Income Housing (LMH) National Objective by ensuring that:
    a. The project is structured so that 100% of assisted units are restricted for LMI households, consistent with CDBG-DR requirements
    b. Applicants must provide documentation demonstrating how the project will satisfy the LMH National Objective through income targeting, affordability restrictions, and compliance monitoring.
5. **Minimum Project Size:** Project must include at least 5 housing units under common ownership and management at time of construction.

6. **Financial Viability:** Preliminary budget and financing plan must show that the proposed development is feasible and consistent with cost standards. Additional guidance and detailed requirements will be provided in the NOFO.
7. **Complete and Timely Submission:** 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.

9.5 Scoring Criteria

Applications that successfully meet all threshold criteria in 9.5 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, the extent to which the project ensures long-term affordability, and alignment with program goals and recovery priorities.

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.

9.5.1 Capacity of the Applicant (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 affordable housing construction or rehabilitation using public funds and post-construction operations. This includes, but is 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

9.5.2 Community Need for Workforce Housing (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 is not limited to:

- Documented shortages of affordable housing
- The project's alignment with recovery priorities outlined in the NOFO
- Alignment with local recovery or housing plans
- Addressing disinvestment or market gaps

9.5.3 Soundness of Approach (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
- 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.

9.5.4 Leverage of Other Resources (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:

- Private financing
- Philanthropic or local government contributions
- In-kind contributions
- Other public funds

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

9.5.5 Achieving Results (10 points)

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

- The number and type of affordable housing units or assistance opportunities created
- Units dedicated to special needs populations

- The project's ability to promote neighborhood revitalization and stability

Projects that maximize community benefit and resilience will score higher.

9.5.6 Bonus or Priority Considerations

DCR may prioritize applications based on readiness to proceed, geographic distribution, or depth of affordability or service to priority populations. Additional priority may be given to projects that, among other factors:

- Are in geographic areas that have been historically underrepresented in housing investment, including areas with limited access to resources such as LIHTC, tax-exempt bonds, or other capital programs
- Include enhanced accessibility features or supportive services for persons with disabilities or elderly residents
- Align with broader state or local housing and recovery strategies
- Demonstrate innovation in financing, design, or partnerships
- Present a plan for providing downpayment assistance
- Leverage HUD's Rapid Unsheltered Survivor Housing (RUSH) grants

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

9.6 Award and Funding Caps

Awards under this program will range from $2 million to $5 million, depending on project scope, eligibility, and available funding.

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.

9.7 Appeals Process

Applicants whose WHFO 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.

In addition to the applicant-level appeals process described in this section, applicants are also required to establish and maintain an appeals process for homeowners participating in or applying for assistance under the WHFO Program. This process must be clearly documented, communicated to homeowners, and aligned with all applicable WHFO Program policies, state regulations, and federal requirements.

9.7.1 Grounds for Appeal

Appeals of DCR's award determinations may only be submitted for the following reasons:

- **Threshold Determination Error** - The applicant believes that its application met all threshold criteria, and the determination of ineligibility was made in error.
- **Scoring Miscalculation** - In competitive rounds, the applicant believes there was a mathematical or procedural error in the scoring of its application.
- **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.
- **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.
- **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 based on disagreements 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.

9.7.2 Appeal Submission Requirements

Appeals of DCR's award determinations must be made within thirty (30) calendar days of receiving a written notice of denial or disqualification, by electronically submitting (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 thirty (30) day appeal period is determined by calendar days, however if the last day of the appeal period falls on a weekend and/or State-recognized holiday, the deadline to appeal will be extended to 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. Eastern Daylight/Standard Time 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 submitted after the appeal period will be automatically denied and will not be substantively reviewed. DCR may, in its sole discretion, 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 electronically submitting a written statement indicating withdrawal. Appeals that are withdrawn may only be resubmitted within the original thirty (30) day appeal period. If an appeal is withdrawn and resubmitted, the thirty (30) day appeal period **does not reset**, and still reflects the date of the original appeal submission.

9.7.3 Appeal Review and Determination

DCR will acknowledge receipt of the appeal and will conduct a review within thirty (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 of the appeal, 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 thirty (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.

10. Underwriting and Project Selection

The underwriting and project selection process for the WHFO 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.

10.1 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
- Evaluate maintenance and operations plans
- Ensure the CDBG-DR investment risk is mitigated
- Verify per unit CDBG-DR subsidy threshold requirements
- Assess the availability and sufficiency of claimed financial leverage, and
- Ensure the long-term sustainability of the project and/or 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.

10.2 Key Underwriting Criteria

Each project will be evaluated using the following criteria:

10.2.1 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, US Army Corps of Engineers, 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.

10.2.2 Geographic Distribution Consideration

DCR may adjust project selection in competitive rounds to achieve a geographic balance across the HUD-identified MID area.

10.2.3 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.

10.2.4 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.

10.3 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 be revised and resubmitted if allowed under the applicable NOFO.

11. Construction Standards and Requirements

11.1 Pre-Construction Readiness Review

Before construction can begin, each funded construction site 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

11.2 Debarment and Suspension Policy

Selected developers and subrecipients 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.

11.3 Property Standards, Resilience, and Environmental Health

WHFO 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.

11.4 Resilience Requirements

CDBG-DR investments will be designed and constructed to withstand chronic stresses and extreme weather events by incorporating resilience performance measures into project design, documentation, and DRGR reporting. For projects located in Special Flood Hazard Areas or wind-prone zones, the following resilience standards will be required and verified during design review:

- Flood-Prone Areas (SFHAs):
  - The lowest occupied floor must be elevated at least two feet above the Base Flood Elevation (BFE).
  - All critical building systems must be installed above the BFE.
  - Flood-resistant materials must be used for all construction below the lowest floor.
- Wind-Prone Areas:
  - Building design must incorporate wind-resistant measures consistent with FEMA guidance and all applicable local building codes.

11.5 Building Code Requirements

Projects must comply with:

- HUD Minimum Property Standards (24 CFR §§ 200.925–200.926)
- North Carolina State Building Code (IBC, IRC, IECC)
- Local building, zoning, and permitting requirements

When standards differ, the most stringent applies. DCR will monitor compliance throughout the project.

11.6 Resilience Performance Measures and DRGR Reporting

To comply with HUD's 2025 Revised Universal Notice and ensure long-term resilience, DCR will track resilience performance measures for each project. Only DCR may enter data into DRGR.

11.6.1 Identification of Resilience Performance Measures

Measures may include:

- Elevating structures two feet above BFE

- Flood-resistant materials
- Wind-resistant design
- Site-planning hazard mitigation
- Durable and energy-efficient materials
- Additional mitigation from environmental review

11.6.2 Documentation in Project Files

Documentation must include plans, specifications, environmental review, and inspections showing compliance.

11.6.3 Reporting in DRGR

DCR records:

- Applicable resilience features
- Progress toward installation
- Final certification before closeout
- Alignment with environmental review and mitigation

11.6.4 Monitoring and Verification

DCR verifies all required resilience measures during construction and at project closeout. Failure to meet these requirements may result in corrective actions or withholding of funds.

11.7 Sustainable and Energy-Efficient Design Considerations

Although no certification is required, The WHFO Program encourages sustainable design to reduce utility costs and improve resilience. Applicants should submit documentation at application and prior to closeout.

11.8 Accessibility Standards

Projects must comply with:

- Section 504 of the Rehabilitation Act of 1973
- Title II of the Americans with Disabilities Act (ADA) (as applicable)
- Fair Housing Act accessibility guidelines, and
- 24 CFR Part 8 (Nondiscrimination Based on Handicap in Federally Assisted Programs)

Applicants are encouraged to utilize building standards that allow homebuyers to age in place.

11.9 Environmental Hazards and Healthy Housing

Environmental hazards must be identified and addressed before construction or occupancy.

11.9.1 Lead Based Paint (LBP)

For any building constructed before 1978, subrecipients and developers must:

- Conduct a certified lead-based paint evaluation in accordance with federal requirements.
- Perform all required lead hazard reduction activities, including stabilization or abatement as applicable.
- Complete clearance testing to verify that all lead hazards have been effectively addressed prior to occupancy.
- Ensure that all work is performed by EPA-certified firms and workers trained in Lead-Safe Work Practices (LSWP).

11.9.2 Asbestos and Mold

Asbestos work must follow OSHA, EPA, and NC DEQ standards. Mold remediation must address the contamination and source of moisture and meet HUD safe housing standards.

11.9.3 Radon and Indoor Air Quality

All HUD MIDs may have high radon levels, according to the North Carolina Department of Health and Human Services. Therefore the program will require that each property is adequately tested for radon, and where radon levels are high (above EPA's action level of 4.0 picocuries per level (pCi/L)), additional mitigation will be required prior to occupancy. Please see HUD's Considering Radon in HUD Projects Fact Sheet for more information.

11.9.4 Other Site Hazards

Environmental review (24 CFR Part 58) assesses:

- Contaminated soils/groundwater
- Hazardous sites
- Flood/erosion risks
- Noise/vibration
- Environmental justice issues

Sites may be deemed ineligible if hazards cannot be mitigated.

11.9.5 Documentation and Oversight

Applicants must submit all hazard-related evaluations, mitigation plans, and clearances. DCR verifies compliance; failure may result in ineligibility or funding recovery.

11.10 Construction Timeline and Milestones

Each project must follow the construction schedule in the funding agreement. Key milestones include:

- Construction start date
- Construction end date
- Site grading and foundations
- MEP installation
- Final inspection and Certificate of Occupancy
- Completion of home sale and occupancy activities

Sponsors must report progress, at minimum quarterly. Deviations must be reported with corrective actions. DCR may impose remedies for noncompliance.

11.11 Change Orders and Scope Modifications

Any changes to scope, budget, or schedule require prior written approval from DCR. Includes:

- Cost increases/decreases
- Unit mix or LMI targeting changes
- Schedule extensions or contractor changes
- Changes affecting environmental clearance or compliance

If cumulative change orders exceed contingency, the State must approve all subsequent changes. Unauthorized changes may result in disallowed costs or grant termination.

11.12 Bonding Requirements

Subrecipients and developers must comply with the minimum bonding requirements of 2 CFR 200.325.

11.13 Insurance and Property Management

Applicants must maintain insurance for the duration of the agreement to protect all contract assets. Recipients must ensure property is used for its approved purpose and maintain it. Must also comply with bonding requirements and procure flood insurance when applicable.

11.14 Construction Warranty Requirements

Project Sponsors must require a minimum 2-year post-construction warranty that covers structural integrity, building systems, and workmanship; however, structural coverage must extend for 10 years.

Sponsors must provide written notifications:

- At closing (warranty packet)
- Six months before expiration (reminder + instructions)
- Sixty days before expiration (final notice + checklist)

Each notice must include:

- Coverage and exclusions
- Claim procedures
- Reporting deadlines
- Contact information

Sponsors must document all notices, delivery methods, responses, and claims. Noncompliance may result in corrective action or withholding of funds.

11.15 Contractor Fraud Prevention and Complaint Resolution

Developers and subrecipients must develop and implement a Homeowner Complaint Resolution Plan that ensures homeowners have clear, accessible pathways to report construction defects, warranty violations, contractor fraud, or related issues. The plan must outline how beneficiaries receive support when warranty obligations are not met and how concerns are escalated to DCR for review.

The Homeowner Complaint Resolution Plan is not required at the time of application but must be submitted and approved by DCR prior to the start of construction.

The plan must include, at minimum:

- Clear reporting instructions provided to each beneficiary at closing and again during warranty-period notices
- Multiple complaint submission channels (online form, email, phone, and written mail)
- Procedures for logging complaints, verifying issues, and initiating corrective steps
- Escalation criteria and timelines for forwarding unresolved or serious complaints to DCR

- Documentation standards for recording beneficiary contacts, contractor responses, warranty claim status, and resolution actions
- Fraud and misconduct referral protocols for cases involving deceptive practices or contractor nonperformance

Developers and subrecipients must maintain complete records of all complaints, actions taken, communications with contractors, and outcomes. Failure to implement or follow the plan may result in corrective action, suspension of reimbursements, or other enforcement measures.

12. Financial Management and Disbursement

12.1 Funding Agreement Execution

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

12.1.1 Agreement Types

Awarded applicants will be managed as either subrecipients or developers based on the CDBG-DR Partner Role Assessment and Development Agreement Checklist on the HUD Exchange, which is summarized in the table below:

Criteria	Subrecipient	Developer
Must be competitively procured?	No but grantees should follow a documented process for selecting subrecipients and must conduct a risk assessment of each subrecipient to determine monitoring and technical assistance needs. State or local rules may require procurement.	No but developers should be selected based on an evaluation of capacity, quality and cost. For CDBG and CDBG-DR, developers should also be identified in the action plan as eligible beneficiaries for a particular program and grantee policies and procedures should specify the criteria for providing awards to developers as beneficiaries.

Criteria	Subrecipient	Developer
Required to follow procurement?	Yes	No
Allowable entity types	Must be public agency or nonprofit (for-profit entities may only be subrecipients if undertaking economic development activities under 24 CFR 570.201(o))	May be for-profit or nonprofit but must be a private entity to be eligible for assistance under 24 CFR 570.202(b)(1)
Type of legal instrument	Subrecipient agreement	Developer agreement
Can incur activity delivery costs?	Yes	No
Can incur admin and planning costs?	Yes subject to program caps and grantee policies	No
Can earn profit?	No	May earn Developer's fee under 24 CFR 570.202(b)(1) in exchange for assuming some financial risk in the project
Revenue/program income	Must treat excess revenues as program income and return to grantee, or if the grantee permits, subrecipients may keep program income to implement other eligible activities.	Not required to return excess revenues. However, HUD strongly encourages grantees to implement mechanisms which prevent undue enrichment.
Subject to cost principles?	• 2 CFR 200 Subpart E (public agencies) • 2 CFR 230 (nonprofit organizations)	Not applicable but cost reasonableness must still be documented
Must have site control?	Yes if directly implementing activities	Yes
Assumes financial risk in project?	Subrecipients are not required to assume financial risk in a project, as they are compensated with HUD funds for actual project costs. However, subrecipients may invest additional funds if they choose.	Yes

Table 1. CDBG-DR Partner Role Assessment and Development Agreement Checklist

12.2 Allowable Costs

Costs charged to the WHFO 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, and construction of affordable WHFO projects that address unmet recovery needs caused by Hurricane Helene.

12.2.1 Pre-Award or Pre-Agreement Costs

Under the WFHO Program, once a project is selected it moves into preliminary award; during the preliminary award phase, Environmental Review and other matters are handled before a project can move to full award. Certain pre-award or pre-agreement soft costs incurred after selection and before agreement or full award 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 of pre-award or pre-agreement costs that may be eligible for reimbursement 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, are not guaranteed to be reimbursed and are reimbursable at the sole discretion of DCR, and may only be considered for reimbursement if the project:

- Is awarded
- Completed Environmental Clearance
- Enters into a fully executed grant agreement, and
- Has not undertaken any "Choice-Limiting Actions" before environmental clearance.

12.2.2 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
- Relocation costs, if applicable under the Uniform Relocation Act
- Capitalized reserves (replacement or operating reserves if required in underwriting)

12.3 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)

12.3.1 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 WHFO 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.

12.4 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.

12.5 Procurement and Bidding

Procurement under the WHFO Program must comply with the most restrictive applicable Federal, State, or local requirements. WHFO 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.

12.6 Invoicing and Payment Requests

All requests for reimbursement or disbursement of WHFO 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.

12.6.1 General Requirements

All WHFO Program funds will 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.

12.6.2 Required Payment Request Package Components

Each payment request must include the following:

- 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).

12.6.3 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.

12.6.4 Retainage and Withholding

DCR may retain up to 10% 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.

12.7 Construction Payment Process

The Construction Payment Process under the WHFO 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.

12.7.1 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 per award may be submitted per month unless a waiver is granted.

12.7.2 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.

12.7.3 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).

12.7.4 Retention and Final Payment

Up to 10% may be retained 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, and
- Final budget reconciliation.

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

12.8 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 WHFO 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
- Repayments of loans
- Proceeds from the sale of assisted properties during a set affordability period
- Interest earned on Program income
- Interest earned on CDBG-DR funds prior to disbursement is not PI and must be remitted to the U.S. Treasury
- 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 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.

12.9 Financial Reporting and Audit

All project sponsors of WHFO 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.

12.9.1 Financial Reporting Requirements

WHFO 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.

12.9.2 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 thirty (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 WHFO 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.

12.9.3 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.

12.9.4 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.

13. Compliance and Monitoring

13.1 Performance Monitoring and Site Inspections

DCR will conduct performance monitoring and, as a part of that monitoring, may conduct physical site inspections to verify that projects funded under the WHFO 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

13.1.1 Monitoring Objectives

- Ensure that project construction 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.

13.1.2 Monitoring Schedule

Monitoring will occur at least annually. The frequency and scope of monitoring activities will be determined by the level of risk associated with the award and the results of the pre-award risk assessment.

13.1.3 Onsite Inspections

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

- **Verify construction progress** — Visually confirm that development, rehabilitation, or repair work is proceeding as reported or has been completed.
- **Assess unit quality** — Review the physical condition of the home and confirm compliance with applicable building codes and program standards.
- **Confirm assisted units** — Verify the number, location, and condition of units supported by program funds.

- **Review homebuyer documentation** — Examine homebuyer files post-closing to ensure compliance with income eligibility, affordability requirements, and other program obligations.

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.

13.2 Asset Management and Long-Term Compliance

All properties funded through the WHFO Program are subject to long-term compliance monitoring for the full duration of any project-required affordability period.

DCR, or its designee, administers this oversight through a combination of annual owner reporting, physical desk inspections, file reviews, and verification of occupancy. 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.

13.3 Fraud, Waste, and Abuse

Grantees and subrecipients must ensure that WHFO 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 (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.

13.4 Corrective Action and Risk-Based Monitoring

13.4.1 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 WHFO 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 file reviews
- Additional technical assistance needs

13.4.2 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.

13.5 Internal Performance Measurement and KPI Reporting

DCR will develop internal Key Performance Indicators (KPIs) to demonstrate and support continuous improvement. DCR will:

- Identify KPIs aligned with their core responsibilities and program requirements.
- Establish consistent processes for collecting, validating, and maintaining data for each KPI.
- Document KPI definitions, data sources, reporting frequency, and responsible staff within team procedures.
- Provide KPI data to the Reporting Team on a regular schedule for internal monitoring and organizational dashboards.
- Review KPI results to identify trends, address issues, and implement improvements.

KPIs will be reviewed and updated annually or as needed based on changes in HUD guidance, program needs, or state or departmental priorities.

13.6 Projections of Expenditures and Outcomes

In accordance with the Universal Notice, DCR will maintain and update the Projections of Expenditures and Outcomes Report and monitor progress against the projections consistent with DCR's Timely Expenditures of Grant Funds. For more information, see Timely Expenditures Policy.

14. Closeout and Program Amendments

The closeout process ensures that all obligations under the WHFO Program are fulfilled, expenditures are properly reconciled, and any 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.

14.1 Project Completion and Closeout Checklist

Once a project funded through the WHFO 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
- Documentation of National Objective Compliance — Evidence that all WHFO-assisted units satisfy the Low/Moderate Income Housing (LMH) national objective, including buyer eligibility files, closing documentation, occupancy certification, and confirmation that each assisted home is occupied by an eligible household.

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.

14.2 Program Amendments and Policy Revisions

DCR may amend the WHFO 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 WHFO 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.

14.3 Revisions to Program Scope or Budget

Changes to the project-level scope, budget, or timeline of an awarded WHFO project must communicated in writing via a progress report to DCR.

Examples of project-level changes include but are not limited to:

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

Certain changes to program scope may trigger a revision of the environmental review and must be approved in writing by DCR prior to implementation. Failure to do so may affect the project's eligibility.

Project-level changes may result in an amendment to the agreement between DCR and the project sponsor. Project sponsors will be required to 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 any 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.

15. 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 WHFO 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).

15.1 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

15.2 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.

15.3 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.

15.4 Use of Social Media for Public Notifications

DCR will use official social media platforms as part of its public notification strategy to ensure timely, accessible communication with residents regarding WFHO activities. Social media will be used in conjunction with traditional public-notice methods (website postings, press releases, email lists, and other public channels) to maximize outreach.

15.4.1 Notifications of Application Openings

When applications for WHFO funded housing activities open, DCR will post announcements on its official social media platforms. Each post will include:

- Application opening date
- Deadline for submission
- Eligibility summary
- Direct link to the application portal
- Contact information for assistance

15.4.2 Notifications of Public Hearings

For all public hearings related to CDBG-DR plans, amendments, or project-specific actions, DCR will post public hearing notices to its social media platforms prior to the scheduled hearing. Posts will include:

- Date, time, and location (or virtual meeting link)
- Purpose of the hearing
- How residents may submit written comments
- Language access and accommodation information.

15.5 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
Phone: DCR Complaint Line at 919-707-1560
Mail: Division of Community Revitalization – Constituent Services
301 North Wilmington Street4301 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.

Appendix: Federal and State Requirements

All WHFO 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 WHFO 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.

A.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

These provisions, among others, preclude exclusion from participation in, or denial of the benefits of, the WHFO Program and discrimination based upon race, color, religion, sex, disability, familial status, age, or national origin.

For WHFO 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.

A.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 to guarantee people with disabilities equal access to services and programs.

WHFO 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.

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.

A.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.

A.4 Limited English Proficiency Access

To comply with federal and State law, all WHFO 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.

A.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 projects funded through the WHFO Program, the requirements of DBRA apply to contractors and subcontractors carrying out federally funded or federally assisted contracts more than $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 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.

A.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 WHFO Program projects receiving more than $300,000 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 $300,000 in HUD CDBG-DR assistance, and contractors that are awarded covered contracts that exceed $150,000, 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.

A.7 Minority- and/or Women-Owned Businesses

Minority-owned business enterprises (MBEs) must be at least 51% 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% 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.

A.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.

To use force account labor, local government 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.

A.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).

A.10 Environmental Review (ER)

All activities under the WHFO 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.

A.11 Protecting Sensitive and Personal Identifiable Information

WHFO Program subrecipients, developers, contractors, and property managers must protect beneficiaries' personal data—like Social Security numbers, income details, or disability status—when carrying out WHFO 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.

For additional information, see DCR's PII Policy.

A.12 Conflict of Interest (COI)

All parties involved in the WHFO 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 WHFO 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.