



NC DEPARTMENT
of COMMERCE
COMMUNITY REVITALIZATION



RenewNC

INFRASTRUCTURE

North Carolina Department of Commerce
Division of Community Revitalization
Community Infrastructure (CI) Program
Policies and Procedures

Version 4.0 – September 9, 2026

Revision History

VERSION	DATE	REVISION DESCRIPTION
1.0	January 27, 2026	Initial Version
2.0	July 8, 2026	• Added RARAP link • Added glossary • Formatting changes • Minor language edits • Significant additions to be consistent with Renew NC Programs • Added language based on HUD rubric
3.0	August 10, 2026	• 3.2 National Objective rewording for clarity and link additional resources • 3.2.2 Section Topic Update from Mitigation to Alternative National Objective • 3.2.2.2 Rewording of minimal monitor • 3.3 Eligible Entities Language • 3.4 Eligible Properties and Sites clarification • 3.6 Mitigation Requirements section moved here • 3.7. Cost Guidance section number update • 3.8 Ineligible Activities section number update, and rewording • 3.9 Timely expenditure of funds section number update • 3.10 Order of assistance section number update and section alignment with other Renew Programs • 3.10.1 Offsetting Awards and Monitoring section number update and alignment • 3.11 Site Control section number update and section alignment with other Renew Programs; site feasibility removed • 10.6 Local Government Citizen participation requirement update • Appendix A added
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Renew NC Grants Programs Glossary of Terms

A full and comprehensive [Glossary of Terms](#) can be found on the North Carolina Department of Commerce – Division of Community Revitalization’s website.

Section 1: Overview

1.1 Introduction

In response to the widespread damage caused by Hurricane Helene in September 2024, the U.S. Department of Housing and Urban Development (HUD) allocated \$1,428,120,000 in Community Development Block Grant Disaster Recovery (CDBG-DR) funding to the State of North Carolina (the State) as appropriated by Public Law 118-158. This allocation addresses unmet needs and promotes resilient recovery in counties designated as the Most Impacted and Distressed (MID) areas.

To maximize the coordination of recovery and rebuilding efforts throughout North Carolina’s MID areas, the Governor directed that the North Carolina Department of Commerce – Division of Community Revitalization (DCR) be the lead agency. DCR was thus charged with overseeing the recovery effort across State agencies and with units of local government.

DCR outlined the use of these disaster recovery funds by creating a suite of recovery programs, published in the State’s Action Plan for Use of Community Development Block Grant Program Disaster Recovery funds which was submitted and approved by HUD. The Action Plan included creating programs to address community recovery and to address the significant damage to the State’s critical infrastructure. To meet these recovery challenges, the State established the Community Infrastructure (CI) Program as a core component of the HUD-approved [2025 North Carolina Action Plan](#)¹ for Disaster Recovery.

1.2 Program Overview

The CI Program is a \$193,500,000 competitive grant initiative. The Program is designed to provide funding for infrastructure projects that will help impacted communities become more resilient to current and future natural hazards. As outlined in HUD’s 2025 Revised Universal Notice, at least 80% of the CDBG-DR funding awarded to the State must be spent to benefit the HUD-identified MID areas, with up to 20% permitted to benefit the State-identified MID areas. Funding may cover up to 100% of project costs, but the preference will be for projects that leverage other funding sources.

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

CI 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 or vulnerability revealed or exacerbated by Hurricane Helene. Mitigation activities are those that increase resilience to future disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship. All Program activities must also meet a national objective as required by the CDBG-DR regulations at 24 CFR 570.483 and the 2025 Revised Universal Notice.

Both general-purpose local government units and special-purpose entities may apply to CI's competitive grant program, provided they meet program criteria (see section 3) and are in eligible areas (see section 3.4). Non-profit organizations are not eligible applicants for these funds.

Examples of local government units include:

- Counties (e.g., Rutherford County)
- Municipalities such as cities, towns, or villages (e.g., City of Rutherfordton)
- State recognized tribal governments

Examples of local government entities:

- Water and Sewer Authorities
- Transit Agencies
- Park or Recreation Districts

Eligible activities include, but are not limited to:

- Restoration of critical services and infrastructure (such as water and sewer facilities, streets, provision of permanent generators, bridges, etc.);
- Demolition, rehabilitation, or construction of programmatically eligible public or semi-public facilities (such as fire stations, shelters, food banks);
- Flood control and drainage repair and improvements, including the construction or rehabilitation of storm water management system;
- Acquisition (e.g., easement, right-of-way [ROW], etc.);
- Rehabilitation of schools, health care centers, water or wastewater facilities, drainage improvements, etc.;
- Related site preparation and infrastructure improvements;
- Soft costs such as architectural and engineering fees; and
- Compliance with HUD environmental, construction, and accessibility requirements.

1.3 Program Authority

The CI Program is governed by:

- HUD’s 2025 Revised CDBG-DR Universal Notice;
- HUD Memorandum 25-02, issued March 19, 2025;
- HUD’s Allocation Announcement Notice (AAN)
- 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, and relocation regulations.

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

1.4 Funding Structure

Component	Allocation	Award Range
Unmet Needs (National Objective Needed)	\$174,872,300	\$500,000 – \$15,000,000
Mitigation Set Aside Allocation	\$18,627,700	Used for cost-effective risk reduction measures
Total	\$193,500,000	N/A

Most CDBG-DR appropriations under this program require funds to be used for necessary disaster relief, long-term recovery, and infrastructure restoration in the most affected and distressed areas. Projects must be financially feasible and are encouraged to leverage other funding sources. DCR may revise the final amount of CDBG-DR funding awarded to any project based on funding availability, project feasibility, and alignment with program objectives.

1.5 Purpose of Guide

This Program Guide serves as the authoritative manual for the implementation of the CI Program. It is intended for use by 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;
- 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, amendments to North Carolina's Action Plan, or programmatic updates or changes.

Section 2: Program Administration

2.1 Roles and Responsibilities

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

Program activities must comply with the requirements set forth in:

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

2.1.1 North Carolina Department of Commerce (NCDOC) 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, and award determinations;
- Conducting cost reasonableness reviews for each application determined responsive to a NOFO;
- Executing necessary documents with selected subrecipients;
- 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

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

³ [HUD Memorandum 25-02](#)

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

2.1.2 Local Units of Government and Government Entities / Subrecipients Responsibilities

- Submitting complete applications, including all required documentation;
- Complying with all program requirements and cross-cutting federal laws;
- Developing and implementing policies, procedures, and processes to deliver and maintain projects;
- 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;
- Maintaining documentation of compliance and submitting required reports to DCR.

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

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

Section 3: Applicant and Project Eligibility

3.1 “Tie-back” to Hurricane Helene

CI 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 or vulnerability revealed or exacerbated by Hurricane Helene. Tie-back must be established through methods such as damage assessments, insurance claims, Federal Emergency Management Agency (FEMA) data, or other verifiable evidence. Mitigation activities are those that increase resilience to future disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship.

3.2 Meeting a National Objective

All activities funded through the CI Program must comply with the national objective requirements established in 24 CFR 570.483 and the 2025 Revised Universal Notice. Under this program, each CDBGDR-funded activity must satisfy one of the applicable national objectives. For the CI Program, DCR specifies that the Low- and Moderate-Income Area (LMA) and Low- and Moderate-Income Clientele (LMC) objectives are the primary pathways for demonstrating eligibility, with Urgent Need (UN) and preventing or eliminating slums and blight (Slum/Blight) available as secondary pathways to eligibility. This is because DCR is required to spend at least 70% of the CDBG-DR funds for activities that meet a LMI national objective.

An activity will be considered to address the objective of benefiting LMI persons if it meets one of the criteria in paragraph (b) of 24 CFR 570.483 (available in Appendix A), unless there is **substantial evidence** to the contrary. The activities, when taken as a whole, must not benefit moderate-income persons to the exclusion of low-income persons.

Substantial evidence, in this context, refers to credible, objective, and verifiable information, directly related to a specific activity, that demonstrates it does NOT meet the LMI national objective, despite satisfying one of the criteria under 24 CFR 570.483(b). Evaluations must consider the full range of direct effects, including beneficiary demographics and economic outcomes. Such evidence may override the presumption that an activity qualifies under LMI, but only if: credible, objective, and verifiable information, directly related to a specific activity, that demonstrates it does NOT meet the LMI national objective, despite satisfying one of the criteria under 24 CFR 570.483(b). Evaluations must consider the full range of direct effects, including beneficiary demographics and economic outcomes. Such evidence may override the presumption that an activity qualifies under LMI, but only if:

- The data source is reliable and current (e.g., census, ACS, surveys, financial records, demographic studies).
- The analysis is directly applicable to the program area or population.
- The findings are supported by transparent methodology (e.g., survey design, statistical sampling, income verification).
- It accurately addresses whether an area served has less than 51 % LMI residents, or that the activity primarily benefits moderate-income individuals, excluding low-income persons.

Income limits for CDBG-DR programs can be generated on [HUD's website using the qualified census tract table generator](#).

All applicants must also identify specific mitigation actions as part of the basic application and include costs in the funding request. Mitigation specific requirements can be found in section 3.25.

3.2.1 Primary National Objectives – Low- and Moderate-Income Areas (LMA) or Limited Clientele (LMC)

3.2.1.1 Low- and Moderate-Income Area Benefit (LMA)

To meet the LMA objective, the following criteria must be met:

- An activity, the benefits of which are available to all the residents in a particular area, where at least 51% of the residents are LMI persons.

Required Documentation:

- Map(s) showing the boundaries of the service area; and
- Narrative justification describing why the service area is reasonable given the activity and how the activity will benefit all residents within the area.

3.2.1.2 Limited Clientele Activities (LMS)

Public facilities funded by CDBG may sometimes qualify under the Limited Clientele criteria of the LMI national objective. HUD regulations require that the facility benefit a specific targeted group of persons, of which at least 51 percent must be low- and moderate-income. The use of the LMC national objective requires pre-approval by DCR.⁴

To qualify, the activity must meet one of the following tests:

- It must benefit a clientele who are generally presumed to be principally LMI persons, including: abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers; or
- It must require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the LMI limit; or
- It must have income eligibility requirements which limit the activity exclusively to LMI persons; or
- It must be of such a nature, and be in such a location, that it may be concluded that the activity's clientele will primarily be LMI persons.

There are also other activities that may be presumed to qualify.

⁴ 24 CFR 570.483(b)(2)

3.2.2 Alternative National Objective – Urgent Need (UN) and Slum/Blight

3.2.2.1 Urgent Need

The UN national objective may be used only after an applicant first attempts to meet an LMA or LMC national objective:

- The project directly addresses a documented disaster-related impact due to Hurricane Helene;
- LMC or LMA is not feasible or practical based on project location, population served, or other demonstrated conditions; and
- The project can be said to alleviate conditions that pose a serious and immediate threat to the health and welfare of the community.
- Per the Universal Notice, use of the Urgent Need national objective is allowable for 36 months after the AAN, which is January 16, 2028.

Required Documentation:

- Written justification of the urgent need tied to Hurricane Helene's impacts;
- Document how each program and/or activity funded under the Urgent Need national objective responds to the urgency, type, scale, and location of the disaster-related impact as described in the North Carolina Unmet Needs assessment contained in the State Action plan;
- Certification that the condition poses a serious and immediate threat;
- Documentation that no other financial resources are available.

Per HUD's 2025 Revised CDBG-DR Universal Notice, the alternative UN national objective is in effect for a period of 36 months following the applicability date of the Allocation Announcement Notice. After 36 months, DCR is required to follow the criteria established in 42 U.S.C. § 5304(b)(3) and its implementing regulations in 24 CFR part 570 when using the UN national objective.

3.2.2.2 Slum/Blight

The aid in the prevention or elimination of slum or blight (Slum/Blight) national objective may be used only after an applicant first attempts to meet an LMA or LMC national objectives:

- The project directly addresses a documented disaster-related impact due to Hurricane Helene;
- LMA or LMC is not feasible or practical based on project location, population served, or other demonstrated conditions; and
- The project activity addresses conditions of slum/blight and not just general community development.

Slum/Blight can be defined on a Spot Basis, on an Area Basis, or with regard to Urban Renewal:

- Spot Basis: A project meets the national objective of preventing or eliminating slums and blight on a spot basis when it addresses conditions of blight or physical decay on a single property or a limited number of properties not located within a designated slum or blighted area.
- Area Basis: A project meets the national objective of preventing or eliminating slums and blight on an area basis when the activity is carried out in a designated area that meets HUD's definition of a slum, blighted, deteriorated, or deteriorating area under state or local law.
- Urban Renewal: An urban renewal area refers to a defined geographic area designated by a local government for redevelopment, rehabilitation, or conservation activities intended to reverse physical, social, or economic decline.

Required Documentation:

- 24 CFR 570.483(c)(1) Area basis:
 - Official designation, under state or local law, of the slum/blight area;
 - Boundaries of the area;
 - Descriptions of the specific physical conditions present and supporting data;
 - Evidence the activity will address one or more of the deteriorated conditions.
- 24 CFR 570.483(c)(2) Spot basis:
 - Location and description of the structure(s) or site(s);
 - Evidence of blight/deterioration;
 - Evidence the activity will directly eliminate those conditions.
- 24 CFR 570.483(c)(3) Urban renewal area basis:
 - Evidence the activity is in an area with an approved Urban Renewal Plan; and
 - Reference to the specific plan and confirmation the activity is consistent with it.

Projects seeking to use UN or Slum/Blight instead of LMA or LMC may receive a lower priority during evaluation unless they address a critical gap in recovery.

Projects that fail to meet any of the above national objectives are not eligible for funding. CDBG-DR regulations state that a project is not considered as meeting a national objective until the project is complete. At a minimum, DCR monitors each project through the completion and closeout phase to ensure that the national objective is met.

3.3 Eligible Entities

DCR will accept applications for the CI Program from general-purpose local government units and special-purpose government entities that need public facilities or infrastructure within the Combined-MID areas. The following list provides examples of those entities eligible to apply for CI funding:

- Counties (e.g., Rutherford County)

- Municipalities such as cities, towns, or villages (e.g., City of Rutherfordton)
- State-recognized tribal governments

Examples of local government entities include:

- Water and Sewer Authorities
- Transit Agencies
- Park or Recreation Districts

3.4 Eligible Properties and Sites

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

3.4.1 Eligible Combined MID areas

To be eligible to participate in the Program, the damaged property must be located in a HUD or State-identified Most Impacted and Distressed (MID) county, as listed below.

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

3.4.2 Additional Site Considerations

- Displacement and Relocation: If the project involves acquisition or redevelopment of an occupied property, applicants must comply with the Uniform Relocation Assistance and Real Property Acquisition Act (URA) and provide appropriate relocation benefits that comply with DCR’s [Residential Anti-Displacement and Relocation Assistance Plan \(RARAP\) policies](#).
- Historic Preservation: Projects that involve historic structures must comply with Section 106 of the National Historic Preservation Act and coordinate with the State Historic Preservation Office (SHPO) as necessary.

3.5 Eligible Activities

For a detailed overview of the eligible activity requirements for CDBG-DR, please refer to 24 CFR 570 – Community Development Block Grants Subpart C – Eligible Activities. CI Program activities primarily use the HUD-eligible activities listed below, subject to approval by DCR; however, DCR reserves the right to use other eligible activities as necessary for recovery projects:

- § 5305(a)(1) – Acquisition
- § 5305(a)(2) – Acquisition, Construction, Reconstruction, and Installation of Public Facilities and Other Site Improvements
- § 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)(9) – Non-Federal Match
- § 5305(a)(11) – Relocation Payments
- § 5305(a)(13) – Administrative Costs
- § 5305(a)(14) – Assistance to Non-Profit Entities
- § 5305(a)(15) – Assistance to Neighborhood-Based Organizations
- § 5305(a)(25) – Tornado Shelters
- § 5305(a)(26) – Lead-Based Paint Hazard Evaluation and Reduction

Eligible activities include:

- Activities that restore critical services such as water, sewer, and stormwater systems, as well as public roads and bridges;
- Related site preparation and infrastructure improvements;
- Soft costs such as architectural and engineering fees; and
- Compliance with HUD environmental, construction, and accessibility requirements.

3.6 Mitigation Requirement

All CI projects funded under this program must incorporate measures that reduce future disaster risk and promote long-term resilience. Such mitigation measures and strategies to reduce natural hazard risks must be integrated into the construction, reconstruction, or rehabilitation of residential or non-residential buildings. DCR requires applicants to the CI program to outline mitigation and resilience measures upon application.

Such measures can include but are not limited to:

- Elevation of structures, equipment, or utilities above base flood elevation;
- Dry or wet floodproofing of structures;
- Relocation of critical equipment above flood levels;
- Installation of permeable pavements; and
- Integration of green infrastructure into sidewalks, plazas, and parking areas.

Subrecipients must also track and report resilience performance measures for DCR to submit in HUD's DRGR system. These measures will be defined in coordination with the DCR program team and will depend on the performance measures available in DRGR. Potential measures may include but are not limited to:

- Number of elevated structures
- Number of facilities incorporating mitigation measures other than elevation
- Number of structures hardened against future flood events

3.7 Costs Guidance

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

- Acquisition costs of land or buildings (if applicable);
- Hard construction costs, including materials and labor;
- Soft costs, including design, engineering, permitting and legal fees;
- Environmental review and mitigation expenses;
- Cost as permitted by the NOFO and cost reasonableness standards

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

Activity delivery costs (ADCs) must be tied to the time staff and contractors dedicated to a specific project. Applicants must show how the proposed ADCs are or will be cost reasonable through procurement of professional services and/or cost of in-house staff to provide program or project related services. All ADCs must be included as part of the total project costs in a request for CDBG-DR funding.

Please include a cost reasonableness estimate for all administrative ADCs associated with the proposed project.

For additional information, see Section 7.1 Allowable Costs.

3.8 Ineligible Activities

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

These include, but are not limited to:

- Choice limiting actions incurred prior to environmental clearance (likely disqualifying the project for eligibility) such as land acquisition, construction bidding, site clearance, and other construction related activities;
- Luxury improvements not essential to health and safety (e.g., high-end amenities, etc.);
- Routine costs of government operations;
- Political, lobbying, or legal fees unrelated to program delivery.
- Funding buildings or portions thereof used for the general conduct of government — which are explicitly ineligible under 24 CFR 570.207(a)(1); this includes county or local government emergency operations centers (DCR Action Plan);
- Buildings that do not provide year-round services.

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

3.9 Timely Expenditure of Funds

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

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

DCR has instituted a variety of checks to ensure that CDBG-DR funds are used only as the recovery funding source of last resort. CDBG-DR funds may not typically be used for activities reimbursable by or for which funds are made available by other Federal disaster recovery programs, including FEMA and U.S. Army Corps of Engineers (USACE). This means that DCR must verify whether FEMA or USACE funds are available for an activity or the costs are reimbursable by FEMA or USACE before awarding CDBG-DR assistance for costs of carrying out the same activity. If FEMA or USACE are accepting applications for the activity, the applicant must seek assistance from those sources before receiving CDBG-DR assistance. If the applicant's costs for the activity will be reimbursed by FEMA or USACE, DCR cannot provide CDBG-DR

assistance for those same costs. In the event that FEMA or USACE assistance is awarded after CDBG-DR to pay the same costs, DCR must recapture any duplicative assistance.

The program follows the steps below to ensure the Order of Assistance requirement is met.

1. Review of State and local priorities.
2. Recommendation of appropriate funding source(s) by Infrastructure staff to Program Manager. Possible funding sources are considered in the following order:
 - a. FEMA PA Program: The PA Program aids State, Tribal and local governments, and certain types of private nonprofit organizations to help communities quickly respond to and recover from major disasters or emergencies.
 - b. FEMA HMGP: HMGP provides grants to States and local governments to implement long- term hazard mitigation measures after a major disaster declaration.
 - c. FEMA Community Disaster Loan Program (CDL): FEMA CDL supports local governments or other eligible jurisdictions in a designated disaster area that have demonstrated a substantial tax loss and a need for financial assistance to perform their governmental functions.
 - d. USACE: USACE works with Federal, State and local partners to reduce risk to lives, property and the environment, and to strengthen community resilience.
 - e. Other relevant disaster recovery funding sources, including other Federal, State, and philanthropic funds.
3. Confirmation of funding source(s) available by CI Program Grants Manager.
4. Development of appropriate project information forms or assisting potential recipients and with project information form development as applicable.
5. Coordination with federal funding agencies prior to DCR CI Program approval and commitment of CDBG-DR funds.

CI 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 USACE—it also includes insurance payouts, tax credits, HUD programs like HOME or HTF, USDA loans, state or local grants, and even philanthropic funding if they cover the same construction or rehab expenses. Applicants must disclose all assistance, provide documentation (such as award letters, loan statements, or insurance claims), and sign a certification. If overlapping funds are found, the award will be reduced, or repayment may be required later. Failure to disclose or the misrepresentation of information can result in denial of funding, repayment, or further investigation.

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

3.10.1 Offsetting Awards and Monitoring

If duplicative funds are received after an 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 to or accounted for, regardless of when the applicant received it.

Failure to disclose additional assistance may result in:

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

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

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

3.11 Site Control and Readiness Requirements

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

3.11.1 Site Control

Applicants must have legal control of the development site at the time of application. Acceptable forms of site control include but are not limited to:

- Fee simple ownership;

- An executed purchase agreement or option contract that remains valid for at least 90 days beyond the application deadline;
- Long-term lease or long-term leasing option that remains valid for at least 90 days after the application deadline.

3.11.2 Zoning and Land Use

The site must either be:

- Properly zoned for appropriate project use if the jurisdiction is subject to zoning.
 - Lack of zoning in a jurisdiction does not render a project ineligible.

Or:

- Capable of being rezoned within 90 days of award.
 - Documentation must demonstrate a reasonable path to approval.

3.11.3 Environmental Review and Reevaluation

All sites must undergo environmental review under 24 CFR Part 58. Sites located in floodways, airport runway approach zones, or other unsuitable zones may be ineligible if not subject to various regulatory exceptions or appropriate mitigation is feasible.

DCR, the Responsible Entity, must also assess:

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

Common Choice-Limiting Actions include:

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

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

- Project disqualification;
- Ineligibility of all pre-agreement costs for reimbursement;
- Potential cancellation of project funding.

Any change to the project scope needs to be cleared through DCR environmental so DCR can be sure to incorporate anything necessary in the review.

DCR will verify compliance through application documentation and environmental review records. It is the subrecipients' responsibility to comply with any and all mitigations noted in the environmental review. Failure to follow mitigations can result in recapture of federal funding and the prohibition of any new funds.

3.11.4 Additional Site Readiness Considerations

Displacement and Relocation: If the project involves the acquisition, redevelopment, or demolition of an occupied property, applicants must comply with the Uniform Relocation Assistance and Real Property Acquisition Act (URA). Applicants will be required to provide appropriate relocation benefits and related services that comply with the URA and DCR's [CDBG-DR Residential Anti-Displacement and Relocation Assistance Plan \(RARAP\)](#), which intends to minimize displacement. In instances where displacement occurs, applicants will be provided with technical assistance to ensure that the rights of any displaced person, as defined by 24 CFR 570.606 (b)(2), are upheld. Should any displaced person have accessibility needs, the advisory services they receive as required by the URA will meet those needs.

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

Section 4: Application Process

Prior to the application submission cycle opening, a prescreening for project planning and technical assistance will be available. This prescreening for project planning is not required. Prescreening 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 also be utilized before, during, and after the application window opens.

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

4.1 Notice of Funding Opportunity (NOFO)

DCR will implement the CI 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.

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 resilience in disaster-affected areas.

4.1.1 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.

4.1.2 Future Funding Rounds

A NOFO will initiate the opening of the program funding opportunity. DCR may release additional NOFOs at its discretion. Decisions to initiate subsequent funding rounds will be based on:

- The amount of funding remaining after prior awards;
- Updated findings from ongoing unmet needs assessments;
- Identification of geographic, programmatic, or market coverage gaps; and
- The volume, quality, and readiness of applications submitted in earlier rounds.

If additional funding rounds are planned, DCR will publish a new NOFO that clearly outlines any revised program goals, funding priorities, timelines, and evaluation criteria. Each NOFO will make explicit whether the round is focused on unmet recovery needs, mitigation needs, specific project types, or

targeted geographic areas. This approach ensures that each funding round is responsive to emerging needs and maintains transparency for all applicants.

4.2 Competitive Application 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;
- Leveraging 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 compliance with the threshold, project readiness, organizational capacity and the availability of funds.

4.2.1 Application Steps

1. Issuance of NOFO.
2. Submission of Applications: Applicants must 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. Preliminary Award: Top-ranked projects may receive preliminary awards, subject to completion of environmental review.
6. Environmental Review and Grant Execution: DCR will complete reviews in accordance with 24 CFR Part 58 and execute grant agreements with selected applicants.

4.2.2 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.
- Budget & Sources/Uses – Preliminary estimates with identified or anticipated funding sources.
- Preliminary Engineering Reports, Site Plan and Design, or other schematics (if available)
- Organizational Experience and Capacity with federal grants – Narrative and resumes of key development staff, as well as plan to partner with a third party to augment staff capacity, if applicable.
- Project Schedule – Milestones from acquisition through completion.
- Site Control Documentation (if applicable) – Deed, long-term lease, or purchase option, etc.
- Environmental and Risk Information – Known conditions, FEMA flood zones, and potential hazards.

The NOFO will contain the full list of requirements and acceptable documentation.

4.2.3 Additional Notes

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

4.3 Threshold Criteria Review

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

1. Eligible Applicant
 - a. Units and entities of local government
2. Eligible Project Location
 - a. Must be located within the Combined MID area as defined in the HUD-approved Action Plan
3. Disaster Tie-Back
 - a. Project must demonstrate a direct or indirect tie-back to the impacts of Hurricane Helene; or
 - b. Be a mitigation-only activity funded through the mitigation set-aside
4. Project must include mitigation measures.
5. Project must meet a National Objective, as outlined in Section 3.2.
6. Project must be financially viable and include a preliminary budget and financing plan that demonstrates feasibility and that the project is consistent with cost standards;
7. Project must be an eligible activity; **and**

8. Complete and Timely Submission

- a. Application and all required documentation must be submitted in full by the NOFO deadline.

4.4 Scoring Criteria

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

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

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. In the event of a scoring tie, projects that have a higher LMI or are located within HUD-designated MID areas will be considered first.

4.4.1 Capacity of Applicant (Weight: 10 points)

- This criterion assesses the applicant's qualifications, experience, and organizational infrastructure. Applicants must demonstrate the ability to manage all aspects of funding and pre- and post-construction operations. Strong capacity ensures efficient, budget-friendly, and compliant project execution, including, but not limited to: Experience with federally funded programs;
- Financial and staff capacity to oversee the project, compliance, and reporting;
- Demonstrated ability to deliver projects on time and within budget.

4.4.2 Community Need (Weight: 20 points)

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

- Elderly individuals, and
- Persons with disabilities;
- Alignment with local recovery plans;
- The project's alignment with recovery priorities outlined in the NOFO;
- Location in a HUD-identified MID area;
- LMI demographic need;
- Feedback from community engagement.

4.4.3 Soundness of Approach (Weight: 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, indicating project preparedness;
- Site readiness, including zoning, and infrastructure access;
- Project design that meets applicable building and resilience standards and incorporates hazard mitigation or resilient design;
- Realistic cost estimates supported by industry-standard tools or contractor estimates; and
- A strong plan for construction management and oversight.

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

4.4.4 Leverage of Funding (Weight: 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; and
- Other public funds.

4.4.5 Achieving Results (Weight: 10 points)

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

- Improved Access: Enhancing transportation and communication networks can lead to better access to services and opportunities for residents.

- **Economic Growth:** Infrastructure investments can stimulate economic activity, create jobs, and support local economies by improving infrastructure that supports industries and services.
- **Community Development:** Projects can foster community engagement and development, leading to better living conditions and social cohesion.
- **Environmental Benefits:** Infrastructure improvements can enhance sustainability, reduce carbon emissions, and improve resilience to natural disasters.

Long-term Value: Infrastructure investments are expected to yield improved long-term community improvements, increased quality of life, and access to critical services.

4.4.6 Bonus or Priority Considerations

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

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

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

4.5 Award and Funding Caps

The maximum award per project is \$15,000,000, with floor of \$500,000, subject to review and adjustments based on the project's specific scope, cost reasonableness, and alignment with program priorities.

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

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

On a case-by-case basis, DCR may authorize awards that exceed the standard cap if the project when necessary to comply with federal accessibility standards or to reasonably accommodate a person with disabilities. All awards must be cost reasonable and applications will be subject to a standard cost estimation.

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

- 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.

4.5.1 Cost Reasonableness

All projects funded under the program must meet the federal standard of cost reasonableness as required by 2 CFR 200 and applicable HUD regulations. Cost reasonableness refers to the requirement that the amount paid for a good, service, or project does not exceed what a prudent person would pay under similar circumstances. A cost is considered reasonable when it is:

- necessary for the performance of the project;
- consistent with market prices for comparable work;
- reflective of sound business practices; and
- supported by documentation showing that the expenditure represents the most cost effective approach available.

Because CDBG-DR funds must be used efficiently while addressing unmet storm recovery and resilience needs, applicants must provide clear evidence in their proposals demonstrating how their project budgets meet this standard of cost reasonableness.

To demonstrate cost-effective practices, the grantee must show that:

1. The project addresses a condition that poses a significant risk to public health or safety if left unaddressed.
2. The total project cost does not exceed the anticipated value of reduced direct damages and avoided negative impacts that would occur during future disasters.
3. The proposed project represents the most practical, effective, and environmentally sound option after evaluating a range of feasible alternatives.
4. The project contributes, to the maximum extent practicable, to a long-term and durable solution to the identified problem.

5. The project design considers foreseeable long-term changes to the area or assets it protects and includes reasonable, manageable operations, maintenance, and future modification requirements.

4.6 Additional Review Components

4.6.1 Duplication of Benefits (DOB) Review

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

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

4.6.2 Organizational Capacity Risk Assessment

All projects will undergo an organizational capacity risk assessment to evaluate the applicant's ability to manage disaster-recovery funding effectively. The result of the assessment will be used to determine the contract monitoring plan schedule if awarded.

4.6.3 Geographic Distribution Consideration

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

4.6.4 Environmental Review Coordination

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

4.6.5 Reevaluation or Resubmission Protocol

If the application is not complete, or the threshold eligibility review cannot be completed due to missing or unclear information, and 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), DCR may send a Request for Additional Information (RAI) to the applicant.

Applicants will be permitted to resubmit corrected materials one time within a defined timeframe - from the date of the RAI. The RAI will include information regarding the deficiency identified and the timeframe within which the applicant will have to submit documentation.

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

4.7 Project Selection

Projects that 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 preliminary award and move forward to environmental review, followed by execution of a grant agreement.

4.8 Appeals Process

Applicants whose CI Program applications are denied, disqualified, or not selected for funding may submit a formal appeal to DCR via DCR's grants portal through which the applicant submitted their application. The functionality to do so will open to applicants after denial.

4.8.1 Debriefing

Before submitting a formal appeal, applicants must attend a debriefing with DCR. The purpose of the debriefing is to provide applicants with a clear understanding of the evaluation outcome, including any threshold deficiencies, scoring results, or compliance issues that affected their funding determination. Debriefing sessions will be scheduled upon the applicant's written request within 10 calendar days of receiving notice of denial, disqualification, or non-selection. DCR will make reasonable efforts to provide the debriefing within 15 calendar days of the request.

During the debriefing, DCR staff will review the basis of the decision and respond to applicant questions regarding the evaluation process. However, debriefings will not include comparisons with other applications or disclosure of proprietary or confidential information. Completion of a debriefing is a prerequisite for initiating the formal appeals process. Applicants who wish to pursue an appeal must participate in a debriefing session before submitting an appeal request.

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

4.8.2 Grounds for Appeal

Appeals may be submitted only for the following reasons:

1. Threshold Determination Error - The applicant believes that its application met all threshold criteria, and the determination of ineligibility was made in error.

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

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

4.8.3 Appeal Submission Requirements

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

- A statement identifying the specific grounds for the appeal;
- The basis for the appeal; and
- Supporting documentation demonstrating the alleged error.

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 appeals must be submitted by 11:59:59 p.m. Eastern Daylight/Standard Time on the last day of the appeal period. The submission of the appeal will be deemed to have occurred at the time the appeal was electronically sent by the applicant through DCR's grant portal.

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 via DCR's start date. 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.

4.8.4 Appeal Review and Determination

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

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

Following the review, DCR will issue a written determination. The failure of DCR to acknowledge receipt of the appeal or to issue its determination within 30 days is not grounds for further appeal or the basis for a successful appeal determination.

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

Section 5: Subrecipient Selection and Award

This section outlines the procedures and responsibilities governing the implementation of projects under the CI Program and is intended to guide subrecipients through key steps from pre-development through construction and completion.

5.1 Preliminary Award

A preliminary award requires the applicant to complete the Notice of Selection Acknowledgment (NoSA), which must be returned before the selected project can move on to the environmental review process.

After selection and return of the selection acknowledgment, allowable costs for reimbursement can be incurred but not billed. A reimbursement request can be made once projects have been fully awarded, which occurs upon execution of a funding agreement.

Allowable/Reimbursable Cost Activities during the preliminary award are limited to activities/non-construction soft costs with no choice-limiting actions, and any other cost directly stated in the NoSA.

5.2 Funding Agreement Execution

Following successful completion of environmental review, the applicant will receive a subrecipient funding agreement for execution. The funding agreement serves as the binding legal contract and outlines all terms and conditions associated with the CI 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.

For projects receiving CDBG-DR funding for multiple project phases (i.e. planning, design, and construction), individual amendments to the funding agreement may be utilized for each phase. If a phased approach is selected by DCR, each amendment will include the scope, budget, time, and performance metrics of the applicable phase. Should scope and budget change significantly during construction, change orders will be considered on a case-by-case basis.

5.3 Pre-Construction Readiness Review

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

As part of the review, the project lead 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;

- Confirmation that all work will be performed in accordance with local building, health and safety codes; and
- Completion of environmental clearance under 24 CFR Part 58.

5.4 Construction Timeline and Milestones

Each project must adhere to a construction schedule defined in the funding agreement. This schedule will include key milestones that must be met to maintain project compliance and progress. Project sponsors must report progress toward these milestones to DCR regularly, which, at a minimum, would include required quarterly status updates. Any deviation from the approved timeline must be reported in writing with an explanation and proposed corrective actions. DCR reserves the right to impose corrective actions and other remedies if performance milestones are not met, if the project becomes noncompliant with program requirements, or if risk considerations are identified.

5.5 Change Orders and Scope Modifications

After execution of the funding agreement, any change of 10 percent or more of the project scope, timeline, or budget must be submitted to DCR for review and prior written approval. This includes:

- Construction cost increases or decreases or reallocation of line items;
- Schedule extensions or contractor changes; and
- Changes that impact environmental clearance or federal cross-cutting compliance.

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

5.6 Debarment and Suspension Policy

Selected 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.

5.7 Property Standards

5.7.1 Construction Standards

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

5.7.2 Resilience Requirements

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

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

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

5.7.3 Building Code Requirements

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

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

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

5.7.4 Sustainable and Energy-Efficient Design Considerations

While HUD no longer mandates a specific green building certification, the CI Program encourages sustainable design and energy efficiency. These features can reduce utility costs and extend the useful life of the structure. Applicants are encouraged to submit design documentation demonstrating sustainable features at application and provide certifications, if applicable, prior to project closeout.

5.8 Insurance and Property Management

For all CI Program projects, all subrecipients(contractors) must require or must procure and maintain insurance for the duration of the subrecipient agreement to protect all contract assets from loss due to any cause, such as theft, fraud and physical damage, unless explicitly waived, altered, or amended in writing in the grant or subrecipient agreement. At a minimum, all recipients must comply with the bonding requirements at 2 CFR 200.325, as applicable, and with the requirements of their subrecipient agreement.

Subrecipients must also procure and maintain flood insurance, as applicable. Minimum flood insurance requirements are governed by federal, State, local, and tribal laws and regulations related to both flood insurance and floodplain management and are set forth in HUD's 2025 Revised Universal Notice at Section III.B.11.a.

5.9 Key Performance Indicators

The Program will oversee and approves all performance measurement standards. The subrecipient will develop proposed key performance indicators (KPIs) in coordination with NCDOC and submits all KPI frameworks, processes, and documentation for review and approval.

Once KPIs are approved, the subrecipient will:

- Standardizes data processes for collecting, validating, storing, and updating KPI data.
- Documents KPI definitions, calculation methods, data sources, reporting frequency, and responsible staff.
- Submits KPI data according to established reporting schedules.
- Analyzes KPI results to identify trends, performance gaps, and improvement strategies.

KPI measures are reviewed and refined annually, or more frequently as needed based on HUD guidance, program operations, or state priorities.

Section 6: Federal and State Requirements

All CI Program-funded activities must comply with all applicable federal and State laws, rules, regulations, and policies governing 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 CI 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.

6.1 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
- HUD’s implementing regulations at 24 CFR Parts 8, 100, and 91

These provisions prohibit discrimination based on race, color, religion, sex, national origin, familial status, age, or disability, among other things.

Subrecipients are responsible for ensuring that marketing, tenant selection, property management practices, and operations fully comply with these requirements. Documentation demonstrating compliance with the Fair Housing Act must be maintained and made available to DCR during monitoring.

6.2 Americans with Disabilities Act (ADA)

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

CI 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, projects 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.

DCR will ensure that advisory relocation services and all URA implementation are accessible to individuals with special needs and free from discrimination. To comply with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA), DCR will:

- Ensure facilities where tenants interact with staff are accessible and usable for persons with disabilities.
- Provide communication assistance, including sign language, braille, interpreters, and support for individuals with limited English proficiency.
- Offer home visits or similar alternatives for tenants who are homebound or unable to visit a Renew Center
- Provide timely accommodations for tenants with hearing, visual, or mobility limitations.
- Coordinate with an authorized tenant designee, such as someone with power of attorney or a legally authorized representative, when needed.

6.3 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.

6.4 Limited English Proficiency Access

Consistent with federal civil rights requirements, all CI program activities must ensure meaningful access to program information and services for individuals with limited English proficiency (LEP). This includes translating vital documents, offering interpretation services, and aligning with DCR's Language Access Plan (LAP). Failure to provide language access may constitute a violation of federal civil rights law and result in compliance findings or corrective actions.

For additional information, see DCR's [Language Access Plan \(LAP\)](#).

6.5 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).

The requirements of DBRA apply to contractors and subcontractors carrying out federally funded or federally assisted contracts in excess of \$2,000 for the construction, alteration, or repair of public buildings or public works or for the construction work of a residential property consisting of 8 or more units. The eight or more-unit threshold applies to the number of units on the property, not the number of units being rehabbed or newly constructed. Property refers to one or more contiguous lots or parcels, commonly owned and operated as one rental project. In some cases, North Carolina Prevailing Wage Law is in effect. In these cases, the higher prevailing wage rate between the Federal and State requirements must be adhered to and made applicable.

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

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

DCR is responsible for monitoring labor compliance and may conduct interviews with workers, payroll audits, and site inspections. Noncompliance may result in enforcement actions, repayment of disallowed costs, or termination of funding.

6.6 Section 3

[Section 3 of the Housing and Urban Development Act](#) 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, those persons of low- and very low-income, particularly those who live or reside in public or government assisted housing.

Projects receiving more than \$300,000 in CDBG-DR funds, developers and contractors are required to the greatest extent feasible, to 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, post notices of job opportunities at the job site, 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, 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, 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.

6.7 Minority- and/or Women-Owned Businesses

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

2 CFR 200.321 requires DCR to take all necessary steps to ensure that all subrecipients, contractors, or subcontractors funded in whole or in part with HUD CDBG-DR financial assistance ensure that contracts and other economic opportunities are directed to small businesses, M/WBEs, veteran-owned businesses, and labor surplus area firms when possible.

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

6.8 Force Account Labor

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

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

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

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

If the CI program project triggers acquisition, rehabilitation, or demolition that involuntarily displaces households or businesses, the Uniform Relocation Assistance and Real Property Acquisitions Policies Act (URA) applies. URA protections include relocation notices, advisory services, moving cost assistance, and replacement housing payments. DCR monitors compliance with the URA, and may require relocation plans, budgets, or proof that proper notices were issued prior to award. 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.

6.10 Residential Anti-Displacement

DCR seeks to minimize displacement by ensuring that any activities involving temporary or permanent displacement comply with its CDBG-DR [Residential Anti-Displacement and Relocation Assistance Plan \(RARAP\)](#).

6.11 Environmental Review

All activities under the CI 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 any identified environmental mitigation conditions are required to be met.

6.11.1 Responsible Entity

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

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

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

6.11.2 Timing and Restrictions on Commitment of Funds

In accordance with 24 CFR § 58.22, no commitment of CDBG-DR funds may occur, nor may any legally binding agreement for the purchase of property, or the commencement of physical work, including demolition, site clearing, or construction, be undertaken prior to DCR's completion of the environmental

review process and the issuance of a formal Notice to Proceed. The primary purpose of a notice to proceed (NTP) is to control the timing of construction activities and avoid initiation of construction without proper permits or authorization by the Program. Any activity undertaken prior to environmental clearance is considered a choice-limiting action and may render the project ineligible for CDBG-DR assistance.

6.11.3 Scope of Review

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

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

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

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

6.11.4 Environmental Conditions for Approval

As a condition of receiving CDBG-DR assistance, project sponsors must cooperate fully with environmental review staff, provide all necessary project information, and comply with any mitigation or remediation measures identified through the environmental review process. Environmental clearance must be secured before the project undertakes any choice limiting actions.

6.12 Protecting Sensitive and Personal Identifiable Information

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

6.13 Conflict of Interest (COI)

All parties involved in the CI Program (e.g., DCR Staff, subrecipients, recipients, 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 CI Program funds if a real or apparent conflict of interest exists or potential conflicts have not been addressed administratively.

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

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

Section 7: Financial Management and Disbursement

7.1 Allowable Costs

CDBG-DR funds may only be used for costs that are necessary, reasonable, and directly tied to eligible development activities. Costs 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.

7.2 Pre-Award or Pre-Agreement Costs

7.1.1 Pre-Award or Pre-Agreement Costs

Under the CI 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 soft costs incurred after selection and before agreement or full award may be eligible for reimbursement if they:

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

Examples include architectural design and environmental assessment; a more extensive list of allowable soft costs can be found in 7.1.3 below. Applicants are required to document such costs and submit them for DCR review for eligibility and cost reasonableness. All pre-award or pre-agreement costs are incurred at the applicant's own risk and may only be considered for reimbursement if the project:

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

7.1.2 Examples of Allowable Direct Construction 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
- Builder profit and overhead (within program caps)
- Relocation costs, if applicable under the Uniform Relocation Act

7.1.3 Examples of Allowable Direct Soft (Non-Construction) 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).

7.1.4 Activity Delivery Costs

The activity (or project) 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 CI 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;
- Administrative costs directly related to carrying out CDBG-DR eligible activities;
- Contractor 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., contractors, business owners, and homeowners) are not recipients or subrecipients (see 2 CFR 200.1 and 570.500(c)) and therefore cannot incur ADCs.

7.3 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.

7.4 Procurement and Bidding

Procurement under the CI Program must comply with the most restrictive applicable Federal, State, or local requirements. CI Program projects must follow federal procurement standards (2 CFR 200, Subpart D) to the extent applicable to state and local government grantees and their subrecipients, as well as all applicable state and local rules that ensure fair competition and reasonable costs. Local government subrecipients must have in place or adopt a procurement policy that complies with the requirements of 2 CFR 200.318-327.

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 Manual](#).

7.5 Invoicing and Payment Requests

All requests for reimbursement or disbursement of CI 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](#).

7.5.1 General Requirements

- All CI Program funds must be paid on a reimbursement basis, unless otherwise authorized (e.g., relocation payments in accordance with 49 CFR Part 24).

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

7.5.2 Required Payment Request Package Components

Each payment request must include the following elements:

- Itemized invoices from contractors, vendors, or service providers;
- Proof of incurred cost, such as canceled checks, executed contracts, or payment certifications;
- Documentation of work completed, such as progress photos, inspection reports, or architect's certifications;
- Updated budget-to-actual expenditure tracking;
- Signed certification by the authorized applicant representative, affirming compliance with all applicable federal and state requirements.

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

7.5.3 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.

7.5.4 Retainage and Withholding

DCR may retain up to 10 percent of the 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.

7.6 Construction Payment Process

The Construction Payment Process under the CI 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.

7.6.1 Payment Timing and Frequency

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

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

7.6.2 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.

7.6.3 DCR Review and Oversight

Upon submission, DCR will:

1. Verify consistency with the approved construction budget and scope of work;
2. Confirm eligibility and reasonableness of costs;
3. Conduct site inspections, when necessary, to validate progress;
4. Review labor standards compliance, if applicable;
5. 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).

7.6.4 Retention and Final Payment

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

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

7.7 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.

All program income must be:

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

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

Subrecipients that generate program income must:

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

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

7.8 Financial Reporting and Audit

All project sponsors of CI 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.

7.8.1 Financial Reporting Requirements

CI 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.

7.8.2 Annual Single Audit Requirement

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

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

If the CI 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.*

7.8.3 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.

7.8.4 DCR Monitoring

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

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

Section 8: Compliance and Monitoring

8.1 Performance Monitoring and Site Inspections

DCR will conduct performance monitoring and physical site inspections to verify that projects funded under the CI 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.

8.1.1 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 other legal requirements are met.

8.1.2 Monitoring Schedule

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

- Pre-construction (to confirm site conditions and readiness);
- During construction (to review progress and compliance with Davis-Bacon, Section 3, and accessibility requirements); and
- At completion as well as a five-year record retention, along with any other requirements indicated in SRA.

8.1.3 Onsite Inspections

DCR or its designee will conduct onsite inspections for projects determined to require additional oversight, based on risk assessment and monitoring plan. 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.

8.2 Record Retention and Reporting

State law (09 NCAC 03M .0703) requires all program-related records to be retained for a minimum of 5 years from project closeout or until all audit exceptions have been resolved, whichever is longer. All records – including all books, accounts, records, reports, files, and other papers, or property pertaining to the administration, receipt and use of CDBG funds and necessary to facilitate such reviews and audits – must be accessible to DCR, representatives of HUD, the HUD Office of the Inspector General (OIG), and the General Accounting Office, and other oversight bodies upon request. Reports must be submitted regularly, and missing or incomplete records may trigger corrective actions or withheld payments.

8.3 Fraud, Waste, and Abuse

Grantees and subrecipients must ensure that CI Program funds are spent properly and efficiently. As a result, each must have adequate policies and procedures in place to prevent fraud, waste, and abuse and to provide CDBG-DR beneficiaries with information to prevent, become aware of, and assist in reporting, the same, as set forth in Section II.A.1.d of HUD’s 2025 Revised Universal Notice. All grantees receiving funds for the first time shall attend and require subrecipients to attend fraud-related training provided by HUD Office of the Inspector General (OIG), when offered, to assist in the proper management of CDBG-DR grant funds.

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

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

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

8.4 Corrective Action and Risk-Based Monitoring

8.4.1 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 CI 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;
- Additional technical assistance needs.

8.4.2 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.

Section 9: Closeout and Program Amendments

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

9.1 Project Completion and Closeout Checklist

Once a project funded through the CI 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 at a minimum a Project Closeout Package, which includes:

- Final inspection report;
- Final budget and expenditure report;
- 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).

DCR will conduct a closeout review and issue a formal closeout letter, documenting that all funds were used appropriately and that the project has complied.

9.2 Program Amendments and Policy Revisions

DCR may amend the CI 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 CI 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 and contractors will be required to comply with the most current program guidance, unless otherwise specified in their executed funding agreements.

9.3 Revisions to Program Scope or Budget

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

Examples of project-level amendments include:

- Changes to location, ownership entity, or design specifications;

- Material changes to project financing, including leveraged sources⁵;
- 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 timelines.

Project sponsors must submit a written amendment request with justification, revised project documents, 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 all applicable regulations.

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

Section 10: 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 CI 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 \(CPP\)](#).

10.1 Overview and Regulatory Requirements

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

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

⁵ A material change refers to any modification that significantly alters the scope, cost, timing, financing structure, or compliance of the project.

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

10.2 Ongoing Community Engagement

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

- Stakeholder meetings with local governments;
- Public informational sessions or webinars;
- Program updates posted online; or
- Outreach to communities with significant infrastructure needs.

Public informational sessions or webinars and other public outreach activities will be announced on the DCR website and social media. DCR regularly provides updates and information via LinkedIn, Facebook, and Instagram.

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

10.3 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.

10.4 Complaints

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

- Online: The [Complaint Submission Form](#)
- Phone: DCR Complaint Line at 919-707-1560
- Email: dcr.constituentservices@commerce.nc.gov
- Mail: Division of Community Revitalization – Constituent Services
301 North Wilmington Street
4301 Mail Services Center
Raleigh, NC 27699-4301

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.

10.5 Contact Information and Public Access

Program updates, Action Plan materials, and information on how to submit public comments are available on [DCR's disaster recovery website](#).

These, and other related DCR policies are also available on [DCR's website](#).

10.6 Local Government Citizen Participation Requirements

Each local government receiving assistance must follow a detailed citizen participation plan that satisfies the requirements of 24 CFR 570.486. The records must demonstrate that it has notified affected residents through electronic mailings, press releases, statements by public officials, media advertisements, social media, public service announcements, and/or contacts with neighborhood organizations. All applicants must submit evidence of a publicly noticed meeting or public comment period to discuss the proposed project and application for the CI Program. Counties eligible to receive funds must consider the needs of all municipalities (and federally recognized tribes) within the incorporated and unincorporated area of the county (and reservations contiguous to the county).

To meet the minimum requirements for citizen participation, local government applicants must hold two public hearings to obtain citizens' comments, at least one of which must be held prior to submitting an application. Public hearings must be held at times and in accessible locations convenient to potential or actual beneficiaries, with accommodations for persons with disabilities. Hearings must also be conducted in a manner that meets the needs of non-English speaking residents where a significant number of such residents can reasonably be expected to participate.

The notice of such public hearing must be published in a manner so that it appears at least 10 days but no more than 25 days before the date of the hearing. For example, notice may be published online more than 25 days out but satisfies the requirement if it continues to be posted during the 10- to 25-day time frame before being removed. Notice must be published on the local government's website as well as at least one additional method to ensure wide participation.

Public hearings must be held at times and accessible locations convenient to potential or actual beneficiaries, with accommodations for persons with disabilities. Hearings must also be conducted in a manner that meets the needs of non-English speaking residents where a significant number of such residents can reasonably be expected to participate.

Examples include posting in the non-legal section of the newspaper with general circulation in the area, social media accounts, radio ads, and distribution lists. The notice must state the types of projects to be undertaken, the source and amount of funding available for the activities, the date by which comments must be made, and a contact person for a copy of the proposed application. The application will require documented evidence of properly noticed meetings; an affidavit may be submitted but is not required. Applicants may also allow for an optional comment period to allow for additional public participation. This will be considered as community input for scoring purposes.

Appendix A: § 570.483 Paragraph B

- (b) **Activities benefiting low and moderate income persons.** An activity will be considered to address the objective of benefiting low and moderate income persons if it meets one of the criteria in [paragraph \(b\)](#) of this section, unless there is substantial evidence to the contrary. In assessing any such evidence, the full range of direct effects of the assisted activity will be considered. The activities, when taken as a whole, must not benefit moderate income persons to the exclusion of low income persons:

(1) **Area benefit activities.**

- (i) An activity, the benefits of which are available to all the residents in a particular area, where at least 51 percent of the residents are low and moderate income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. Units of general local government may, at the discretion of the state, use either HUD-provided data comparing census data with appropriate low and moderate income levels or survey data that is methodologically sound. An activity that serves an area that is not primarily residential in character shall not qualify under this criterion.
- (ii) An activity, where the assistance is to a public improvement that provides benefits to all the residents of an area, that is limited to paying special assessments levied against residential properties owned and occupied by persons of low and moderate income.
- (iii)
 - (A) An activity to develop, establish and operate (not to exceed two years after establishment), a uniform emergency telephone number system serving an area having less than 51 percent of low and moderate income residents, when the system has not been made operational before the receipt of CDBG funds, provided a prior written determination is obtained from HUD. HUD's determination will be based upon certifications by the State that:
 - (1) The system will contribute significantly to the safety of the residents of the area. The unit of general local government must provide the state a list of jurisdictions and unincorporated areas to be served by the system and a list of the emergency services that will participate in the emergency telephone number system;

- (2) At least 51 percent of the use of the system will be by low and moderate income persons. The state's certification may be based upon information which identifies the total number of calls actually received over the preceding twelve-month period for each of the emergency services to be covered by the emergency telephone number system and relates those calls to the geographic segment (expressed as nearly as possible in terms of census tracts, enumeration districts, block groups, or combinations thereof that are contained within the segment) of the service area from which the calls were generated. In analyzing this data to meet the requirements of this section, the state will assume that the distribution of income among callers generally reflects the income characteristics of the general population residing in the same geographic area where the callers reside. Alternatively, the state's certification may be based upon other data, agreed to by HUD and the state, which shows that over the preceding twelve-month period the users of all the services to be included in the emergency telephone number system consisted of at least 51 percent low and moderate income persons.
- (3) Other federal funds received by the unit of general local government are insufficient or unavailable for a uniform emergency telephone number system. The unit of general local government must submit a statement explaining whether the problem is caused by the insufficiency of the amount of such funds, the restrictions on the use of such funds, or the prior commitment of such funds for other purposes by the unit of general local government.
- (4) The percentage of the total costs of the system paid for by CDBG funds does not exceed the percentage of low and moderate income persons in the service area of the system. The unit of general local government must include a description of the boundaries of the service area of the system; the census tracts or enumeration districts within the boundaries; the total number of persons and the total number of low and moderate income persons in each census tract or enumeration district,

and the percentage of low and moderate income persons in the service area; and the total cost of the system.

- (B) The certifications of the state must be submitted along with a brief statement describing the factual basis upon which the certifications were made.
 - (iv) Activities meeting the requirements of [paragraph \(e\)\(4\)\(i\)](#) of this section may be considered to qualify under [paragraph \(b\)\(1\)](#) of this section.
 - (v) HUD will consider activities meeting the requirements of [paragraph \(e\)\(5\)\(i\)](#) of this section to qualify under [paragraph \(b\)\(1\)](#) of this section, provided that the area covered by the strategy meets one of the following criteria:
 - (A) The area is in a Federally-designated Empowerment Zone or Enterprise Community;
 - (B) The area is primarily residential and contains a percentage of low and moderate income residents that is no less than 70 percent;
 - (C) All of the census tracts (or block numbering areas) in the area have poverty rates of at least 20 percent, at least 90 percent of the census tracts (or block numbering areas) in the area have poverty rates of at least 25 percent, and the area is primarily residential. (If only part of a census tract or block numbering area is included in a strategy area, the poverty rate shall be computed for those block groups (or any part thereof) which are included in the strategy area.)
 - (D) Upon request by the State, HUD may grant exceptions to the 70 percent low and moderate income or 25 percent poverty minimum thresholds on a case-by-case basis. In no case, however, may a strategy area have both a percentage of low and moderate income residents less than 51 percent and a poverty rate less than 20 percent.
- (2) **Limited clientele activities.**
- (i) An activity which benefits a limited clientele, at least 51 percent of whom are low and moderate income persons. The following kinds of activities may not qualify under [paragraph \(b\)\(2\)](#) of this section:
 - (A) Activities, the benefits of which are available to all the residents of an area;
 - (B) Activities involving the acquisition, construction or rehabilitation of property for housing; or
 - (C) Activities where the benefit to low- and moderate-income persons to be considered is the creation or retention of jobs, except as provided in [paragraph \(b\)\(2\)\(v\)](#) of this section.

(ii) To qualify under [paragraph \(b\)\(2\)](#) of this section, the activity must meet one or the following tests:

- (A) It must benefit a clientele who are generally presumed to be principally low and moderate income persons. Activities that exclusively serve a group of persons in any one or a combination of the following categories may be presumed to benefit persons, 51 percent of whom are low and moderate income: abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers; or
- (B) It must require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the low and moderate income limit; or
- (C) It must have income eligibility requirements which limit the activity exclusively to low and moderate income persons; or
- (D) It must be of such a nature, and be in such a location, that it may be concluded that the activity's clientele will primarily be low and moderate income persons.

(iii) An activity that serves to remove material or architectural barriers to the mobility or accessibility of elderly persons or of adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled" will be presumed to qualify under this criterion if it is restricted, to the extent practicable, to the removal of such barriers by assisting:

- (A) The reconstruction of a public facility or improvement, or portion thereof, that does not qualify under [§ 570.483\(b\)\(1\)](#);
- (B) The rehabilitation of a privately owned nonresidential building or improvement that does not qualify under [§ 570.483\(b\) \(1\)](#) or [\(4\)](#); or
- (C) The rehabilitation of the common areas of a residential structure that contains more than one dwelling unit and that does not qualify under [§ 570.483\(b\)\(3\)](#).

(iv) A microenterprise assistance activity (carried out in accordance with the provisions of section 105(a)(23) of the Act or [§ 570.482\(c\)](#) and limited to microenterprises) with respect to those owners of microenterprises and persons developing microenterprises assisted under the activity who are low- and moderate-income persons. For purposes of this paragraph, persons determined to be low and moderate income may be presumed to continue to qualify as such for up to a three-year period.

- (v) An activity designed to provide job training and placement and/or other employment support services, including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services, in which the percentage of low- and moderate-income persons assisted is less than 51 percent may qualify under this paragraph in the following limited circumstances:
 - (A) In such cases where such training or provision of supportive services is an integrally-related component of a larger project, the only use of CDBG assistance for the project is to provide the job training and/or supportive services; and
 - (B) The proportion of the total cost of the project borne by CDBG funds is no greater than the proportion of the total number of persons assisted who are low or moderate income.
- (3) **Housing activities.** An eligible activity carried out for the purpose of providing or improving permanent residential structures that, upon completion, will be occupied by low and moderate income households. This would include, but not necessarily be limited to, the acquisition or rehabilitation of property by the unit of general local government, a subrecipient, an entity eligible to receive assistance under section 105(a)(15) of the Act, a developer, an individual homebuyer, or an individual homeowner; conversion of nonresidential structures; and new housing construction. If the structure contains two dwelling units, at least one must be so occupied, and if the structure contains more than two dwelling units, at least 51 percent of the units must be so occupied. If two or more rental buildings being assisted are or will be located on the same or contiguous properties, and the buildings will be under common ownership and management, the grouped buildings may be considered for this purpose as a single structure. If housing activities being assisted meet the requirements of [paragraph \(e\)\(4\)\(ii\)](#) or [\(e\)\(5\)\(ii\)](#) of this section, all such housing may also be considered for this purpose as a single structure. For rental housing, occupancy by low and moderate income households must be at affordable rents to qualify under this criterion. The unit of general local government shall adopt and make public its standards for determining “affordable rents” for this purpose. The following shall also qualify under this criterion:
 - (i) When less than 51 percent of the units in a structure will be occupied by low and moderate income households, CDBG assistance may be provided in the following limited circumstances:
 - (A) The assistance is for an eligible activity to reduce the development cost of the new construction of a multifamily, non-elderly rental housing project; and

- (B) Not less than 20 percent of the units will be occupied by low and moderate income households at affordable rents; and
- (C) The proportion of the total cost of developing the project to be borne by CDBG funds is no greater than the proportion of units in the project that will be occupied by low and moderate income households.
- (ii) Where CDBG funds are used to assist rehabilitation delivery services or in direct support of the unit of general local government's Rental Rehabilitation Program authorized under [24 CFR part 511](#), the funds shall be considered to benefit low and moderate income persons where not less than 51 percent of the units assisted, or to be assisted, by the Rental Rehabilitation Program overall are for low and moderate income persons.
- (iii) When CDBG funds are used for housing services eligible under section 105(a)(21) of the Act, such funds shall be considered to benefit low and moderate income persons if the housing units for which the services are provided are HOME-assisted and the requirements of [§ 92.252](#) or [§ 92.254 of this title](#) are met.

(4) *Job creation or retention activities.*

- (i) An activity designed to create permanent jobs where at least 51 percent of the jobs, computed on a full time equivalent basis, involve the employment of low and moderate income persons. For an activity that creates jobs, the unit of general local government must document that at least 51 percent of the jobs will be held by, or will be made available to low and moderate income persons.
- (ii) For an activity that retains jobs, the unit of general local government must document that the jobs would actually be lost without the CDBG assistance and that either or both of the following conditions apply with respect to at least 51 percent of the jobs at the time the CDBG assistance is provided: The job is known to be held by a low or moderate income person; or the job can reasonably be expected to turn over within the following two years and that it will be filled by, or that steps will be taken to ensure that it is made available to, a low or moderate income person upon turnover.
- (iii) Jobs will be considered to be available to low and moderate income persons for these purposes only if:
 - (A) Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training; and

- (B) The unit of general local government and the assisted business take actions to ensure that low and moderate income persons receive first consideration for filling such jobs.
- (iv) For purposes of determining whether a job is held by or made available to a low- or moderate-income person, the person may be presumed to be a low- or moderate-income person if:
 - (A) He/she resides within a census tract (or block numbering area) that either:
 - (1) Meets the requirements of [paragraph \(b\)\(4\)\(v\)](#) of this section;
 - or
 - (2) Has at least 70 percent of its residents who are low- and moderate-income persons; or
 - (B) The assisted business is located within a census tract (or block numbering area) that meets the requirements of [paragraph \(b\)\(4\)\(v\)](#) of this section and the job under consideration is to be located within that census tract.
- (v) A census tract (or block numbering area) qualifies for the presumptions permitted under [paragraphs \(b\)\(4\)\(iv\) \(A\)\(1\)](#) and [\(B\)](#) of this section if it is either part of a Federally-designated Empowerment Zone or Enterprise Community or meets the following criteria:
 - (A) It has a poverty rate of at least 20 percent as determined by the most recently available decennial census information;
 - (B) It does not include any portion of a central business district, as this term is used in the most recent Census of Retail Trade, unless the tract has a poverty rate of at least 30 percent as determined by the most recently available decennial census information; and
 - (C) It evidences pervasive poverty and general distress by meeting at least one of the following standards:
 - (1) All block groups in the census tract have poverty rates of at least 20 percent;
 - (2) The specific activity being undertaken is located in a block group that has a poverty rate of at least 20 percent; or
 - (3) Upon the written request of the recipient, HUD determines that the census tract exhibits other objectively determinable signs of general distress such as high incidence of crime, narcotics use, homelessness, abandoned housing, and deteriorated infrastructure or substantial population decline.

- (vi) As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies under this paragraph, except:
- (A) In certain cases such as where CDBG funds are used to acquire, develop or improve a real property (e.g., a business incubator or an industrial park) the requirement may be met by measuring jobs in the aggregate for all the businesses that locate on the property, provided the businesses are not otherwise assisted by CDBG funds.
 - (B) Where CDBG funds are used to pay for the staff and overhead costs of an entity specified in section 105(a)(15) of the Act making loans to businesses exclusively from non-CDBG funds, this requirement may be met by aggregating the jobs created by all of the businesses receiving loans during any one-year period.
 - (C) Where CDBG funds are used by a recipient or subrecipient to provide technical assistance to businesses, this requirement may be met by aggregating the jobs created or retained by all of the businesses receiving technical assistance during any one-year period.
 - (D) Where CDBG funds are used for activities meeting the criteria listed at [§ 570.482\(f\)\(3\)\(v\)](#), this requirement may be met by aggregating the jobs created or retained by all businesses for which CDBG assistance is obligated for such activities during any one-year period, except as provided at [paragraph \(e\)\(6\)](#) of this section.
 - (E) Where CDBG funds are used by a Community Development Financial Institution to carry out activities for the purpose of creating or retaining jobs, this requirement may be met by aggregating the jobs created or retained by all businesses for which CDBG assistance is obligated for such activities during any one-year period, except as provided at [paragraph \(e\)\(6\)](#) of this section.
 - (F) Where CDBG funds are used for public facilities or improvements which will result in the creation or retention of jobs by more than one business, this requirement may be met by aggregating the jobs created or retained by all such businesses as a result of the public facility or improvement.
 - (1) Where the public facility or improvement is undertaken principally for the benefit of one or more particular businesses, but where other businesses might also benefit from the assisted activity, the requirement may be met by aggregating only the

jobs created or retained by those businesses for which the facility/improvement is principally undertaken, provided that the cost (in CDBG funds) for the facility/improvement is less than \$10,000 per permanent full-time equivalent job to be created or retained by those businesses.

(2) In any case where the cost per job to be created or retained (as determined under [paragraph \(b\)\(4\)\(vi\)\(F\)\(1\)](#) of this section) is \$10,000 or more, the requirement must be met by aggregating the jobs created or retained as a result of the public facility or improvement by all businesses in the service area of the facility/improvement. This aggregation must include businesses which, as a result of the public facility/improvement, locate or expand in the service area of the public facility/improvement between the date the state awards the CDBG funds to the recipient and the date one year after the physical completion of the public facility/improvement. In addition, the assisted activity must comply with the public benefit standards at [§ 570.482\(f\)](#).

(5) ***Planning-only activities.*** An activity involving planning (when such activity is the only activity for which the grant to the unit of general local government is given, or if the planning activity is unrelated to any other activity assisted by the grant) if it can be documented that at least 51 percent of the persons who would benefit from implementation of the plan are low and moderate income persons. Any such planning activity for an area or a community composed of persons of whom at least 51 percent are low and moderate income shall be considered to meet this national objective.