



**NC DEPARTMENT
of COMMERCE**
RURAL ECONOMIC
DEVELOPMENT



NCDHHS



**NORTH
CAROLINA
HOUSING**
FINANCE AGENCY

Substantial Amendment

2025 Annual Action Plan

August 16, 2026

NORTH CAROLINA 2025 ANNUAL ACTION PLAN

SUBSTANTIAL AMENDMENT

AP-05 – Executive Summary

The North Carolina 2025 Annual Action Plan (AAP) is the fifth Annual Action Plan under the 2021–2025 North Carolina Consolidated Plan. Consistent with the strategies and goals established in the 2025 AAP, North Carolina continues to prioritize housing, community development, neighborhood revitalization, and related services. To advance these goals, the State continues to emphasize coordination among State agencies, improvements to State housing policies and programs, and the strategic alignment of federal and State funding resources.

This Substantial Amendment proposes a **one-time reallocation of \$13,403,255.00 in Program Year 2025 CDBG funds from the Economic Development (ED) Program to the CDBG Neighborhood Revitalization (CDBG-NR) Program**. The reallocation applies only to Program Year 2025 and does not modify the State of North Carolina’s overall CDBG allocation methodology.

This is the second year in which the State has proposed reallocating CDBG funds originally designated for Economic Development to the CDBG-NR Program. In 2024, HUD approved a Substantial Amendment that allowed the State to reallocate available Economic Development funds to the CDBG-NR Program. The proposed 2025 reallocation builds upon that approach while remaining limited to the 2025 program year.

The reallocated funds will supplement the funds otherwise available for the CDBG-NR Program for Program Year 2025. The funds will be administered in accordance with the State of North Carolina’s existing, HUD-approved Method of Distribution (MOD) for the CDBG-NR Program.

For the current 2025 funding cycle, the reallocated funds will be used to make awards to eligible CDBG-NR applications that were submitted by the previously established application deadline and that meet all applicable eligibility requirements. Applications will continue to be evaluated through the State’s established rating and selection process.

In addition to the one-time reallocation, this Substantial Amendment establishes changes to the administration of the CDBG-NR Program. The State will eliminate the predetermined maximum award amount for CDBG-NR funding. The absence of a predetermined maximum award does not constitute an entitlement to funding or permit an applicant to receive any requested amount. All funding requests must remain reasonable and necessary based on the scope and cost of the proposed project and must comply with applicable CDBG requirements, the State’s rating and selection process, and the availability of funds.

The State will also establish a **year-round open CDBG-NR application cycle**. Under the year-round approach, eligible units of general local government may submit applications throughout the year, subject to the availability of funds and applicable State and HUD requirements. This approach will allow the State to respond more efficiently to eligible neighborhood revitalization, housing, infrastructure, and community development needs as they arise.

The year-round open application cycle will also allow the State to utilize **deobligated CDBG funds** that become available during the program year. Rather than holding such funds until the next regularly scheduled annual application cycle, available deobligated funds may be returned to the CDBG-NR funding pool and used to make awards to eligible projects through a year-round open application cycle, consistent with the State's Method of Distribution and applicable HUD requirements.

The proposed changes will provide the State with greater flexibility to address immediate community needs while maximizing the timely obligation and expenditure of available CDBG resources. The State will continue to ensure that funded activities meet all applicable CDBG national objective and eligible activity requirements, as well as environmental review and other applicable Federal and State requirements.

The one-time reallocation of **\$13,403,255.00** remains limited to Program Year 2025 and does not change the State's overall CDBG allocation methodology. The changes to the CDBG-NR award limit and funding cycle will apply to the administration of the CDBG-NR Program beginning with this amendment and will be incorporated into subsequent Annual Action Plans, as applicable.

The proposed reallocation and program changes remain consistent with the goals, objectives, and priorities identified in the **2021–2025 North Carolina Consolidated Plan** and the **2025 Annual Action Plan**.

AP-30 – Method of Distribution

The North Carolina 2025 Annual Action Plan Substantial Amendment includes a **one-time reallocation of \$13,403,255.00 in Program Year 2025 CDBG funds from the Economic Development (ED) Program to the CDBG Neighborhood Revitalization (CDBG-NR) Program**.

The reallocation applies only to Program Year 2025 and does not change the State of North Carolina's overall CDBG allocation methodology. The reallocated funds will supplement the funds otherwise available for the CDBG-NR Program for Program Year 2025.

Distribution of Reallocated Funds

The reallocated funds will be distributed in accordance with the State of North Carolina's existing, HUD-approved Method of Distribution (MOD) for the CDBG-NR Program.

For the current 2025 application cycle, the reallocated funds will be used to make awards to eligible CDBG-NR applications that were submitted by the application deadline previously established by the State. Applications will be evaluated using the State's established rating and selection process.

To receive funding, an application must meet all applicable CDBG-NR program requirements and eligibility criteria. Funding decisions will consider the application's rating, eligibility of the proposed activities, demonstrated community need, reasonableness and necessity of the requested funding, availability of funds, and the State's ability to make timely and compliant obligations.

The reallocation will therefore allow the State to increase the amount of funding available for eligible CDBG-NR applications without changing the established application evaluation and rating process.

CDBG-NR Award Amount

As part of this Substantial Amendment, the State will **eliminate the predetermined maximum award amount for the CDBG-NR Program.**

The elimination of a predetermined maximum award amount does not create an entitlement to funding or authorize applicants to receive unlimited funding. Each funding request must be supported by the scope and cost of the proposed project and must be reasonable and necessary to accomplish the eligible activity.

All awards will remain subject to:

- Applicable CDBG statutory and regulatory requirements;
- National objective requirements;
- Eligible activity requirements;
- The State's CDBG-NR application, rating, and selection procedures;
- Availability of CDBG funds; and
- The State's ability to make timely and compliant obligations and expenditures.

Removing the predetermined maximum award amount will provide the State with greater flexibility to fund larger eligible neighborhood revitalization projects when warranted by the demonstrated need, scope, cost, and impact of the proposed project.

Year-Round CDBG-NR Open Application Cycle

The State will continue to award funds through its annual application cycle with the announcement of a NOFA (Notice of Funding Availability). Funds that have been deobligated will be awarded throughout the year round open application cycle as they become available.

Under the year-round open application cycle, eligible units of general local government may submit CDBG-NR applications throughout the year, subject to the availability of funds and applicable State and HUD requirements.

Applications received through the year-round open application cycle will be reviewed and evaluated using the State's established eligibility, rating, and selection procedures. The year-round open application cycle does not eliminate the State's competitive review process or the requirement that proposed projects satisfy all applicable CDBG requirements.

The year-round open application cycle will provide the State with greater flexibility to address eligible neighborhood revitalization, housing, infrastructure, economic development and community development needs as they arise.

Use of Deobligated Funds

The year-round open application cycle will allow the State to more efficiently utilize **CDBG funds that become available through deobligation**.

When CDBG funds are deobligated and become available for reprogramming, such funds may be returned to the CDBG-NR funding pool and used to make awards to eligible CDBG-NR projects through the year-round open application process, subject to applicable State and HUD requirements.

This approach will allow the State to utilize available resources throughout the program year rather than holding deobligated funds until the next regularly scheduled annual application cycle.

The use of deobligated funds will remain subject to the State's established application, rating, selection, and approval procedures and all applicable CDBG requirements.

Program Compliance

The State will continue to ensure that all CDBG-NR activities receiving funding comply with applicable Federal and State requirements. Funded activities must meet the applicable CDBG national objective and eligible activity requirements and must satisfy all applicable environmental review, financial management, procurement, labor standards, civil rights, and other Federal and State requirements.

The elimination of the predetermined maximum award amount and implementation of a year-round application cycle do not alter the underlying eligibility requirements for CDBG-NR activities.

Purpose and Effect of the Amendment

The one-time reallocation of **\$13,403,255.00** from the Economic Development Program to the CDBG-NR Program will allow the State to address immediate neighborhood revitalization needs and maximize the timely obligation and expenditure of available Program Year 2025 CDBG funds.

The revised CDBG-NR award structure and year-round open application cycle will provide the State with additional flexibility to respond to eligible community needs and efficiently utilize funds that become available through deobligation.

The **2025 reallocation is limited to Program Year 2025** and does not modify the State's overall CDBG allocation methodology. The changes to the CDBG-NR award limit and funding cycle will apply to the administration of the CDBG-NR Program beginning with this amendment and will be incorporated into subsequent Annual Action Plans, as applicable.