FY 2027 NCIP and Construction Addendum

Use this Addendum with the executed CDBG Agreement and the FY 2027 CDBG Operating Manual. The Agreement controls if a conflict exists. General Operating Manual requirements apply unless this Addendum establishes a more specific construction requirement.

Critical rule: No construction materials may be purchased, and no demolition, rehabilitation, or construction may begin, before the City issues a written Notice to Proceed (NTP). Work performed or costs incurred before required written City authorization may be ineligible for reimbursement.

Table of Contents

A. How the Operating Manual and Addendum Work Together

This Addendum consolidates the requirements that are specific to NCIP and construction so Subrecipients do not need to piece together construction procedures from multiple chapters of the Operating Manual. The Operating Manual remains the source for requirements that apply to all CDBG projects, including Agreement administration, reimbursement, financial controls, monitoring, records access, corrective action, and general procurement standards.

Operating Manual topic	How it applies to NCIP and construction
Agreement administration and prior approvals	Applies in full. This Addendum identifies additional construction approvals required before advertisement, contract execution, construction, changes, payment, and closeout.
Monthly Programmatic Reports (MPRs)	Applies in full. NCIP reporting must also document construction progress, delays, inspections, photographs, contractor activity, labor compliance, and Section 3 when applicable.
Requesting Reimbursement	Applies in full. This Addendum adds construction-specific invoice, schedule-of-values, inspection, retainage, lien-release, labor, Section 3, BABA, and payment documentation.
Financial Management and Internal Controls	Applies in full. Construction records, payments, cost allocations, retainage, and the General Ledger must reconcile with the contract, MPR, and RFR.
Procurement and Contract Management	General standards apply. This Addendum establishes the City-required construction sealed-bid process, bonding, labor, contractor, and construction contract requirements.
Monitoring and corrective action	Applies in full. Construction may also include site inspections, worker interviews, labor reviews, LCPtracker review, and post-closeout real-property monitoring.
Year-end reporting and closeout	Applies in full. An active NCIP project may submit a Year-End Report before the project is ready for final closeout.
Records retention and access	Applies in full. Construction, environmental, labor, property, warranty, and continuing-use records may have longer retention obligations.

Alternative procedures. If the Subrecipient needs to use a procedure that differs from the Agreement, Operating Manual, or this Addendum, obtain prior written City approval before proceeding. Submit the current Agreement/Operating Manual Exemption Request Form when requesting an alternative procedure under the Agreement, Operating Manual, or this Addendum, unless the City provides a different written process for the specific requirement.

Project-specific requirements. The City may issue additional written instructions based on the project, funding source, environmental review, property, labor determination, or other compliance condition. Project-specific written City direction is part of the implementation record.

Requirements unique to other project types. Public Services and CED requirements do not apply to NCIP solely because they appear in the Operating Manual. NCIP projects must document the eligibility and National Objective method identified in the Agreement.

B. NCIP Project Lifecycle, Responsibilities, and Timeliness

1. Applicability

This Addendum applies to CDBG-funded construction, alteration, repair, rehabilitation, demolition, installation, and permanent improvements to a facility or other real property. Certain requirements apply to the entire project even when CDBG funds pay only a portion of the cost. Dividing work among funding sources, contracts, phases, or locations does not avoid an otherwise applicable requirement.

The City determines applicability based on the approved activity, total project and contract costs, source and date of funding, property type, ownership or lease arrangement, location, residential or nonresidential use, and the work included in the overall undertaking.

2. Roles and Responsibilities

Party	Core responsibilities
Subrecipient	Site control, approved Scope of Work, design coordination, permits, procurement, contractor oversight, inspections, labor compliance, invoices, reporting, changes, records, closeout, and continuing eligible property use.
City	Environmental review coordination; review of required procurement and construction documents; project-specific labor, Section 3, and BABA determinations; issuance of the NTP and City Notice of Completion; reimbursement review; monitoring; and compliance direction.
Prime Contractor	Performance of the approved work; supervision of all subcontractor tiers; compliance with contract, labor, Section 3, BABA, and reporting requirements; correction of deficiencies; and complete invoices and closeout records.
Design professional / construction manager	Plans, specifications, estimates, permits, inspections, construction administration, or other technical services within the approved role. Use of a consultant does not transfer the Subrecipient's responsibility.

3. NCIP Lifecycle at a Glance

Stage	Key actions / City checkpoint
Project planning	Confirm eligible use and National Objective; site control; approved Scope of Work; project funding; accessibility;

	environmental information; permits; design needs; and schedule.
Within 90 days of Agreement execution	Issue the City-approved sealed bid invitation unless the City approves another written schedule. Notify the Project Manager immediately if this milestone is at risk.
Before advertisement	Complete the environmental clearance needed to proceed, bid-ready plans/specifications, independent cost estimate, labor determination, BABA determination, and City review of the complete bid package.
Bid and award	Advertise for the required period, keep the bid period open, conduct bid opening, evaluate responsiveness/responsibility, complete cost/price analysis, allow the protest period, obtain board approval, and complete City review.
Before construction	Execute Prime and subcontractor agreements, obtain insurance/bonds, complete required registrations and LCPtracker setup, hold the pre-construction meeting, post required notices, and receive the City NTP.
During construction	Submit monthly MPR/RFR records, weekly certified payroll when applicable, Section 3 reporting when applicable, BABA documentation when applicable, inspections, photographs, and advance change-order requests.
Completion	Resolve punch list, permits, inspections, labor issues, lien releases, warranties, final invoices, retainage, final RFR, property records, and closeout documents.
After completion	Maintain the approved facility use and National Objective, property covenant/site control, warranties, records, and annual continuing-use documentation for the required period.

4. Critical City Approvals

Written City approval is required before the Subrecipient takes an action identified below. Submission of a document, verbal discussion, board action, permit issuance, architect approval, or contractor direction does not substitute for written City approval.

Before the Subrecipient…	Required action
Publishes an advertisement or IFB	Submit the complete bid package and obtain City review/approval.
Uses a shortened, alternative, or noncompetitive procurement	Submit written justification and receive approval before using the alternative process.
Proceeds after inadequate competition or does not propose the apparent low responsive/responsible bidder	Consult the Project Manager and obtain written direction before award.
Executes the Prime Contractor agreement	Submit the proposed agreement and procurement record and obtain City review/acceptance before execution.
Adds or replaces a contractor/subcontractor	Submit the proposed party and required eligibility/compliance documentation before work begins.

Purchases materials or starts demolition/construction	Complete all pre-construction conditions and receive the City NTP.
Changes location, improved area, Scope of Work, plans/specifications, or contractor team	Submit the change and receive written City approval before implementation.
Executes a change order or uses CDBG for an unanticipated condition	Submit the change-order request and supporting cost/scope documentation before the affected work starts.
Changes ownership, lease/site control, operator, facility use, or beneficiaries	Obtain City review because the change may affect eligibility, National Objective, property restrictions, or repayment.
Sells, transfers, leases, encumbers, or disposes of CDBG-assisted property	Obtain written City disposition/change-of-use direction first.

5. Timeliness

Construction schedules must provide enough time for environmental review, permitting, procurement, contract review, labor setup, construction, inspections, reimbursement, and closeout. Reporting a delay does not extend the Agreement or authorize activity outside the approved schedule.

Sealed bid milestone. FY 2027 NCIP guidance requires the sealed bid invitation to be issued within 90 days of the executed CDBG Agreement unless the City approves a different schedule in writing.

Capital-project expenditure period. Council Policy 700-02 generally expects capital improvement project funds to be expended within 24 months from July 1, subject to the Agreement and any City action affecting the project.

Delays. Report permitting, procurement, contractor, funding, environmental, labor, site, or other delays as soon as they are identified. Failure to meet project milestones may result in corrective action, payment suspension, termination, or reprogramming of unspent funds.

C. Planning and Pre-Procurement Requirements

1. Eligible Project, Facility Use, and National Objective

The project must remain consistent with the eligible activity and National Objective identified in the Agreement. Public facilities and improvements are generally eligible under 24 CFR 570.201(c), but eligibility alone does not establish a National Objective.

NCIP implementation requirement	Documentation expectation
Location and use	The improved facility must be in the City of San Diego and used for the approved eligible purpose. Areas that do not serve the approved activity, such as unrelated administrative

	or storage areas, are not CDBG-eligible unless specifically authorized.
City residents	The improved portion of the facility must primarily benefit City of San Diego residents. When an improved area regularly benefits non-City residents or another ineligible use, use an approved allocation method and non-CDBG funds for the appropriate share.
Limited Clientele / facility users	When the Agreement uses Limited Clientele, maintain the records required by the approved method, including presumed-benefit documentation or income eligibility and facility-user records, as applicable.
Area Benefit	When the Agreement uses an Area Benefit National Objective, maintain the approved service-area boundaries and data demonstrating that the area meets the applicable LMI standard.
Continuing use	Maintain source documentation demonstrating continued eligible use and National Objective throughout the City-required post-completion period.
Leveraged funding	Maintain the non-CDBG funding committed to the approved NCIP project. FY 2027 NCIP guidance requires leveraged funding of at least 10 percent of the total project budget or $50,000 at minimum. Use non-CDBG funds for ineligible project costs and any required share benefiting non-City residents or other non-CDBG uses. The executed Agreement and approved budget control the project-specific amounts.
Public right-of-way work	Water/sewer, street, and other public right-of-way improvements are not eligible under the FY 2027 NCIP-F category. Do not add this work to the CDBG scope unless the City has approved it under another eligible activity and provided written direction.

2. Site Control, Owner Approval, and Property Covenant

Before procurement, the Subrecipient must demonstrate the legal right and practical ability to complete and maintain the improvements. Required documentation may include the deed, executed lease, Assessor’s Parcel Number and legal description, property-owner authorization, board authorization, shared-area approval, site-access agreement, or recorded property restriction.

Leased property. The property owner must approve the proposed improvements in writing. For FY 2027 NCIP projects, the Subrecipient must maintain site control for no less than five years from project completion, or longer when required by the Agreement, Declaration of Covenant, or another applicable condition.

Declaration of Covenant. The City may record a Declaration of Covenant or other restriction against the property to secure continued eligible use, National Objective compliance, and maintenance of the improvements. Do not modify the ownership, lease, operator, use, or improved area without prior City review.

3. Environmental Review and Choice-Limiting Actions

The City prepares or coordinates the Environmental Review Record (ERR) under 24 CFR 570.604 and 24 CFR Part 58. The Subrecipient must provide requested project descriptions, plans, maps, photographs, site/property information, prior environmental documents, and other data needed to complete the review.

The review may address NEPA, CEQA, historic preservation, floodplains and flood insurance, biological resources, clean air, noise, contamination, lead-based paint, and other applicable authorities. New construction or land-use changes may require a detailed Environmental Assessment by a qualified third party. Unless the City specifically approves otherwise in writing, the cost of that Environmental Assessment is not reimbursable with CDBG funds.

> **No choice-limiting actions:** Before the City provides the required environmental clearance, the Subrecipient and other project participants must not take an action prohibited by 24 CFR 58.22. This may include acquisition, demolition, construction, rehabilitation, leasing, purchase of materials, contract execution, or another commitment that limits reasonable alternatives. Proceed only as specifically authorized in writing by the City.

Comply with every condition and mitigation measure in the approved ERR. Report a revised scope, changed site condition, unanticipated material, or other event that could affect the environmental determination before proceeding.

4. Permits, Accessibility, and Specialized Screening

Before bidding, confirm permit requirements with the City’s Development Services Department through the applicable Preliminary Review or permit process and maintain documentation of existing permits or permit status. Plans and specifications must incorporate required permits, inspections, code requirements, and accessibility work.

Accessibility first. All CDBG-assisted facilities and services must be accessible to persons with disabilities. FY 2027 NCIP guidance requires the project site to be fully compliant with applicable ADA and Section 504 accessibility requirements before CDBG funds are used for other improvements. Accessibility upgrades may be included in the approved CDBG scope.

Early screening. Notify the Project Manager before the project may involve acquisition, tenants/occupants, service interruption, temporary or permanent relocation, demolition, conversion, housing, a child-occupied facility, painted surfaces in a pre-1978 building, floodplain issues, historic resources, or other specialized conditions. Section I of this Addendum provides additional triggered requirements.

5. Complete Scope, Plans, Specifications, and Eligible Construction Budget

Develop a comprehensive, bid-ready construction Scope of Work. Do not divide or phase a known scope to avoid procurement, labor, environmental, or other compliance requirements. Work outside the CDBG scope must be clearly separated and coordinated with the Project Manager so it does not interfere with the CDBG procurement or construction.

Bid-ready plans/specifications must identify	Examples
Areas and work	Exact facility areas; construction, alteration, repair, demolition, and installation work; CDBG and non-CDBG components.
Technical requirements	Materials, performance standards, dimensions, quantities, workmanship, accessibility, permits, inspections, environmental conditions, and closeout deliverables.
Schedule	Anticipated start, milestones, completion deadline, inspection timing, and other material schedule requirements.
Basis for comparable bids	Enough detail for bidders to price the same work and for the City/Subrecipient to evaluate responsiveness and later verify payment.

Under FY 2027 NCIP standards, the CDBG-funded construction budget or bid package generally may not include the following unless the City has specifically approved the cost as eligible:

Generally not CDBG-reimbursable for NCIP	Implementation note
Improvements with useful life under 10 years	Do not include in the CDBG-funded scope.
General design / plan development	Not eligible; approved minor plan adjustments required by the permitting process may be included when authorized.
Routine maintenance / ordinary operations	Not a capital improvement.
Moveable equipment or non-permanently installed materials	Use non-CDBG funds unless another eligible budget category is specifically approved.
Landscaping	Not eligible under the City's NCIP standards unless specifically authorized.
Subrecipient administration/personnel	Not eligible as NCIP construction reimbursement items.
Bond fees, Subrecipient insurance, contingency/set-aside, profit/loss, or general overhead as separate Subrecipient costs	May not be claimed as separate CDBG budget items. Contractor overhead/profit embedded within a competitively procured fixed-price or unit-price construction contract is evaluated as part of the contract price.
Temporary storage	Not eligible as a separate NCIP reimbursement item unless specifically approved.

Solar work. If the approved scope includes solar panels, the installation must be awarded to and performed by a properly licensed and certified solar contractor.

Work before the authorized construction period. Do not complete other work in or affecting the CDBG project area after the CDBG application and before the City-authorized construction period without first notifying the Project Manager **and receiving written City direction before proceeding**.

6. Third-Party Construction Management

When third-party construction management is included in the approved FY 2027 budget, the services must be procured in accordance with applicable procurement requirements and documented even when paid with non-CDBG funds if City guidance requires verification of the procurement.

FY 2027 NCIP guidance limits CDBG-funded third-party construction management to no more than 6 percent of the approved CDBG Construction/Renovation line-item amount. Services may include scheduling, subcontract administration, prevailing-wage monitoring, onsite supervision, daily labor logs, project-specific safety coordination, monthly billing, site photographs, progress reports, punch-list work, and project closeout. The approved Agreement and budget control the allowable amount and scope.

7. Independent Cost Estimate and Cost/Price Analysis

Before the IFB is issued, prepare or update an independent cost estimate based on final or substantially complete plans and current market information. The estimate must support the bid amount and provide a reasonable basis for evaluating bids.

Estimate requirement	Minimum documentation
Independence	Prepared by a qualified estimator or licensed contractor independent of prospective bidders. A person or firm whose work creates an unfair competitive advantage may not bid on the resulting construction contract.
Content	Labor, materials, equipment, prevailing wage/fringe assumptions, permit costs, and other construction components used to establish the estimate.
Identification	Preparer name, title/qualification, signature when required, and preparation date.
Timing	Update shortly before the bid. The City's prior Manual directed that the estimate/cost analysis generally be no earlier than one month before bid issuance.
Post-bid analysis	Compare responsive bids to the estimate and document price reasonableness. Update the analysis when bids exceed the budget, only one responsive bid is received, the low bid appears unreasonable, material differences exist, or the proposed contract amount changes.

For procurement transactions and contract modifications exceeding the applicable simplified acquisition threshold, complete the cost or price analysis required by 2 CFR 200.324, beginning with an independent estimate before bids or proposals are received. The City may require additional analysis at a lower amount when necessary to establish price reasonableness.

8. Labor Standards Determination

Before advertisement, obtain the City's written determination of the federal, state, and City labor requirements and wage determinations that must be included in the solicitation and contracts.

Requirement	Applicability / core rule
Federal Davis-Bacon and Related Acts	Generally applies to CDBG-financed construction, alteration, or repair contracts over $2,000 that employ laborers or mechanics. For residential rehabilitation, CDBG labor standards apply when the property contains eight or more units. The City makes the final project determination.
HUD Form 4010	Federal Labor Standards Provisions must be included in applicable construction solicitations and executed contracts.
California prevailing wage / City ordinance	Under SDMC §22.3019, applies to construction work over $25,000 and alteration, demolition, repair, or maintenance work over $15,000, together with applicable California Labor Code requirements.
Higher applicable wage	When federal and state requirements both apply, satisfy both and pay the higher applicable wage and fringe-benefit requirement for the actual work classification.
Apprentices / overtime / anti-kickback	Comply with applicable apprenticeship, overtime, certified payroll, wage statement, and anti-kickback requirements.
Living Wage Ordinance	Applicability is determined project-by-project/agreement-by-agreement. When applicable, requirements flow from the Subrecipient to covered contractors and subcontractors. Follow the Agreement and City-issued LWO instructions.

Federal labor standards may not apply to a construction contract of $2,000 or less, acquisition-only activity, certain demolition-only activity with no related covered construction, certain rehabilitation of residential property designed for fewer than eight units, or a nonconstruction goods/services contract. Do not make the determination independently; obtain City confirmation.

Federal wage timing. Verify the federal wage determination approximately 10 days before bid opening and issue an addendum when directed. The bid-opening date generally locks the federal wage decision when award occurs within 90 days. If award occurs later, the award date may establish the applicable wage decision; reconfirm with the City before execution.

State wage timing. Review the expiration and predetermined-increase indicators for each craft/classification. If the applicable state determination contains a predetermined increase effective during construction, the increased rate must be paid and reflected in contractor compliance.

9. Build America, Buy America (BABA) Determination

The City will determine whether the Build America, Buy America Act (BABA) Buy America Preference applies under 2 CFR Part 184, 2 CFR 200.322, and current HUD guidance. Applicability depends on the HUD obligation date, infrastructure activity, total project cost, products used, and waivers in effect.

As of FY 2027, HUD's small-grants waiver covers infrastructure projects whose total project cost from all funding sources is at or below the current federal Simplified Acquisition Threshold of $350,000. The waiver is currently scheduled to remain effective through November 23, 2027 unless HUD shortens or changes it. The City's written project determination controls.

When BABA applies	Required practice
Solicitation and contracts	Include the City-provided BABA clauses in the Prime Contract and applicable subcontracts and supplier agreements.
Before purchase / installation	Review proposed iron, steel, manufactured products, and construction materials for compliance before they are incorporated into the project.
Documentation	Maintain manufacturer, product, supplier, location-of-manufacture, certification, delivery, and installation records.
Substitutions / shortages	Immediately report unavailable compliant products, substitutions, missing documentation, or potential violations.
Waivers	Do not purchase or install a noncompliant product based solely on a pending waiver request. Proceed only after written City/HUD authorization or confirmation that an applicable general waiver covers the item/project.

A general vendor statement or "Made in America" label is not sufficient by itself to establish compliance.

D. Construction Procurement and Contract Award

The general procurement standards in Section VIII: Procurement and Contract Management of the Operating Manual apply. This section provides the additional City-required process for NCIP construction.

1. Required Construction Procurement Method

The Subrecipient must use a formal competitive sealed-bid process for NCIP construction unless the City approves another method in writing. Sealed bidding uses a publicly solicited Invitation for Bids (IFB) and a firm fixed-price lump-sum or unit-price contract awarded to the lowest responsive and responsible bidder whose bid conforms to all material requirements.

A noncompetitive or alternative construction procurement may be used only when an allowable circumstance exists, competition cannot reasonably be obtained, and the City approves the method and written justification before award. Inadequate planning or insufficient time is not an emergency justification.

2. Procurement Integrity and Competition

Full and open competition. Do not use unreasonable qualifications, unnecessary geographic restrictions, brand-name-only specifications, or other conditions that improperly limit competition.

Conflict of interest. Apply the standards of conduct in the Operating Manual. Disclose actual, potential, or apparent conflicts before a person participates in specification development, evaluation, selection, award, or administration.

Unfair competitive advantage. A contractor or consultant that develops specifications, requirements, a Scope of Work, IFB, or other procurement material may not compete for the resulting construction contract when that involvement creates an unfair competitive advantage. FY 2027 NCIP guidance specifically prohibits a contractor that developed the project scope for the RFP from bidding on the associated construction procurement.

Complete record. Document the procurement method, advertisement, bid holders/outreach, addenda, bids, opening, evaluation, contractor selection/rejection, contract type, price analysis, protests, approvals, and award.

3. City Review Before Advertisement

Submit the complete proposed bid package to the Project Manager for review and written approval before publication. Include, as applicable:

Document group	Required items
Scope / technical	Approved construction Scope of Work; complete plans and specifications; permit status; schedule; inspection and closeout requirements.
Price	Independent cost estimate; proposed construction budget; applicable bid schedule or unit prices.
Labor	Federal and state wage determinations; HUD Form 4010; DIR requirements; apprenticeship/overtime requirements; LCPtracker requirements.
Contract	Proposed Prime Contractor agreement; payment/retainage; change orders; warranties; termination/remedies; records; flow-down clauses.
Federal / City compliance	Section 3, BABA, nondiscrimination, accessibility, CDBG acknowledgment, Living Wage when applicable, debarment, Business Tax Certificate, insurance, bonding, and other City-provided provisions.

Bid administration	Advertisement, bid form, bid bond, certifications, bidder responsibility criteria, protest procedure, pre-bid meeting, addenda rules, bid-opening process, and award method.

4. Advertisement and Bid Period

Unless the City approves an alternative in writing, publish the Notice of Invitation for Bids in a newspaper of general circulation and appropriate industry media likely to reach qualified contractors for a minimum of five business days and keep the bid-submission period open for 30 calendar days.

A shorter advertisement or bid period for a repeat solicitation requires a written request and advance City approval.

Advertisement element	Minimum information
Project / documents	Brief, accurate project description; where/how the complete bid documents may be obtained; and any nonrefundable document cost.
Pre-bid meeting	Date, time, location, and whether attendance is mandatory.
Bid delivery / opening	Delivery address and permitted methods; packaging/labeling; deadline; opening date, time, location; and statement that late bids will not be accepted.
Contract requirements	Applicable bid/performance/payment bonds; insurance; contractor license and DIR registration; federal/state labor; Section 3/BABA when applicable; and other material requirements.
Wage determinations	Federal general wage decision number and state determination information, as applicable.

5. Formal Bid Package

Category	Required contents
Scope and schedule	Complete plans/specifications; work items; quantities/materials; performance standards; site; construction schedule; completion deadline; permits; inspections; and closeout deliverables.
Bid instructions	Bid form; delivery/opening instructions; pre-bid meeting; addenda process; late-bid rule; withdrawal/correction rules; bid validity; selection/award sequence; protest process; and basis for rejecting bids.
Responsiveness / responsibility	Lowest responsive and responsible award standard; licenses; experience; capacity; references; financial/technical ability; registrations; insurance; bonds; debarment; subcontractors; certifications.

Labor / employment	Federal and state wage determinations; HUD Form 4010; CPR/LCPtracker; DIR; apprenticeship; Section 3 forms/clauses when applicable; required postings.
Federal / City requirements	CDBG acknowledgment; conflicts; debarment; BABA when applicable; Section 504/ADA; equal opportunity; Living Wage when applicable; Business Tax Certificate; records access/retention.
Contract terms	Firm fixed price or unit prices; schedule of values; payment/retainage; inspections/acceptance; change orders; warranties; termination/remedies; indemnification; flow-down; closeout records.

Specifications should describe functional or performance requirements. When a product example is necessary, allow an equal product unless the City approves a documented exception.

6. Pre-Bid Meeting, Addenda, and Cancellation

Pre-bid/site walk. When a pre-bid meeting or site walk is held, provide the information stated in the IFB and invite the Project Manager when requested. Give all prospective bidders equal access to material information.

Addenda. Issue written addenda to every known bid-document holder and make them available through the same channels used for the solicitation. If a material addendum issued within seven calendar days of bid opening affects scope, price, wage requirements, or bid preparation, extend or reschedule the opening as directed.

Cancellation. Cancel a solicitation only for a documented, supportable reason. Notify known bidders/plan holders, return refundable document payments, retain the cancellation decision and communications, and obtain City approval before a shortened re-advertisement or materially revised scope.

7. Receiving and Opening Bids

Step	Required control
Receipt	Date- and time-stamp each bid, maintain a bid registry, safeguard bids, and keep them sealed until the published opening.
Before deadline	Allow withdrawal only as stated in the IFB. Do not open or disclose a bid early.
Opening	At the published time/location, close receipt of bids, return late bids unopened with an explanation, and open timely bids in public when required.
Record	Record bidder name, total bid, bonds/required documents, and apparent discrepancies on the bid tabulation/registry.
Announcement	Identify only the apparent low bid pending review. Staff conducting the opening should not make final commitments or decide protests at the opening.

After opening, a bid may be corrected or withdrawn only as permitted by the IFB and applicable law. When a required 5 percent bid guarantee applies, withdrawal after opening may result in forfeiture unless a substantial involuntary error is established. A nonmaterial omission may be corrected when allowed, but material terms such as price, quantity, quality, or delivery may not be changed after opening.

8. Bid Evaluation and Contractor Responsibility

Evaluate every bid against the published requirements. A responsive bid conforms to the material IFB terms. A responsible bidder has the integrity, experience, resources, licenses, and capacity to perform successfully.

Before recommending award, verify	Documentation
Responsiveness / arithmetic	Bid completeness, acknowledgments/addenda, bid bond when required, arithmetic, and material terms.
Price	Comparison to independent estimate and documented cost/price analysis.
License / DIR	Current California contractor license, trade-specific certifications, and DIR public works registration for the Prime Contractor and listed subcontractors when required.
Federal / state eligibility	SAM.gov exclusion search; federal/state debarment checks; and any UEI/SAM registration required by the Agreement or City. Retain dated evidence.
Business / tax / insurance / bonds	City Business Tax Certificate when required; insurance; bonding; financial capacity; references; experience; schedule capability.
Subcontractors	Proposed subcontractors and applicable labor, Section 3, BABA, Business Enterprise, licensing, registration, and eligibility information.

If a SAM.gov or debarment search does not produce a sufficiently identifiable result, obtain any City-required certification confirming the company and principals are not excluded. A contractor or subcontractor may not perform work when a required license, registration, insurance, or eligibility status is expired, suspended, inactive, or invalid.

9. Competition, Price, Protest, and Award Recommendation

Inadequate competition. Consult the Project Manager before proceeding. The City may require re-advertisement, additional outreach, revised specifications, an updated estimate, use of non-CDBG funds, or cancellation.

Award standard. Award to the lowest responsive and responsible bidder unless the City approves another action consistent with applicable requirements. A bid that substantially exceeds the estimate or appears unreasonably low must be evaluated before award. A lower-than-expected bid does not authorize unrelated additions to the Scope of Work.

Protest period. Issue written notice of the intended award and allow at least 10 calendar days before final award for protests unless the approved procurement policy or City instructions require a longer period. Follow the IFB protest procedure and document the resolution of each protest.

Board approval. Obtain required approval from the full governing board and record the selected contractor and contract amount in the meeting minutes.

City review. Submit the complete procurement file, bids, bid tabulation, responsibility determination, cost/price analysis, protest documentation, board action, and proposed construction agreement to the Project Manager. Do not execute the Prime Contractor agreement until the required City review/acceptance is complete.

10. Award, Unsuccessful Bidders, and DIR Project Registration

After all required approvals, issue the award and execute the contract without materially changing the terms offered to other bidders. Notify unsuccessful bidders in writing and retain the notices in the procurement file.

Complete the DIR Public Works Project Registration (PWC-100) within five days after award when required by City instructions and applicable law, and retain the DIR project identification and confirmation. Maintain any contractor/subcontractor DIR registration required throughout the project.

E. Requirements Before Construction Begins

1. Executed Construction Contracts and Flow-Down

The Prime Contractor and each subcontractor must have a written agreement before performing work. All Prime Contractor and applicable subcontractor agreements must be executed before the pre-construction meeting unless the City provides different written instructions.

Prime Contractor agreement must address	Examples
Scope / price / schedule	Selected bid; plans/specifications; contract amount; unit/lump-sum prices; schedule; completion date; schedule of values.
Payment / completion	Payment terms; retainage; inspections/acceptance; lien releases; warranties; final documentation.
Changes / remedies	Written change-order controls; termination; breach/remedies; dispute procedures.
Risk / eligibility	Insurance; bonds; licenses; DIR; debarment; Business Tax Certificate; other contractor qualifications.
Labor / employment	Federal/state wage requirements; HUD 4010; CPR/LCPtracker; apprenticeship; Section 3; applicable Living Wage; worksite postings.

Federal / City	BABA when applicable; accessibility; nondiscrimination; CDBG acknowledgment; records access/retention; audit/monitoring; required City clauses.
Flow-down	Requirement that every applicable clause be included in each lower-tier subcontract or supplier agreement.

A material post-award negotiation that gives the selected contractor an advantage unavailable to other bidders is prohibited. Submit executed contracts and amendments to the City as directed.

2. Insurance and Bonding

Verify that all insurance and endorsements required by the Agreement and construction contract are accepted and remain in effect throughout construction. Notify the Project Manager immediately of cancellation, expiration, or inadequate coverage. Work may be suspended until acceptable coverage is restored.

For construction or facility-improvement contracts exceeding the Subrecipient's applicable simplified acquisition threshold, 2 CFR 200.326 applies. The Subrecipient's threshold may not exceed the federal Simplified Acquisition Threshold, currently $350,000. Unless the City accepts the Subrecipient's bonding policy as adequately protecting the federal interest, obtain:

Bond	Minimum
Bid guarantee	5 percent of the bid price
Performance bond	100 percent of the contract price
Payment bond	100 percent of the contract price

For contracts at or below the applicable threshold, follow the Agreement, City instructions, and the Subrecipient's approved written bonding policy. A City or project-specific requirement may be more restrictive.

3. Contractor Registrations and Labor Setup

Before construction, verify and retain current documentation for all required Prime Contractor and subcontractor licenses, DIR registration, debarment status, applicable SAM.gov/UEI requirements, City Business Tax Certificate, trade certifications, insurance, bonds, and other project-specific qualifications.

Living Wage. Complete City Living Wage documentation when the project/agreement is determined to be subject to the Living Wage Ordinance. Ensure applicable requirements are included in lower-tier agreements.

LCPtracker. Coordinate with City staff to establish the project and authorized users. Complete the City's LCPtracker Authorization/Login Request Form for the Subrecipient, Prime Contractor, and applicable subcontractors. Authorized roles must be limited to appropriate staff responsible for submitting, reviewing, or approving payroll information.

4. Pre-Construction Meeting

Schedule the pre-construction meeting after the construction agreements are executed, required insurance and bonds are accepted, permits/registrations are sufficiently complete, environmental conditions are addressed, and required project documents have been provided to the City.

Meeting topic	Confirm
Scope / schedule	Approved plans/specifications, milestones, permits, inspections, completion deadline.
Environmental / accessibility	ERR mitigation, protected conditions, accessibility requirements.
Labor	Federal/state wage determinations, worker classifications, apprentices, CPR timing, LCPtracker, DIR reporting, worker interviews.
Section 3 / BABA	Applicability, required clauses, tracking, documentation, outreach, product review.
Site administration	Required postings, safety coordination, contractor/subcontractor roster, inspections, photographs.
Financial / reporting	MPRs, RFRs, schedule of values, invoices, retainage, lien releases, proof of payment.
Changes / closeout	Advance approval of changes; punch list; warranties; final labor records; Notice of Completion; closeout.

Complete the City's Pre-Construction Meeting Form and any other required pre-construction documents for the Subrecipient, Prime Contractor, and applicable subcontractors.

5. Worksite Posters and CDBG Identification

Before work begins, post and maintain current, readable notices in a location visible to workers and the public as applicable. Requirements may include federal and state wage determinations, employee-rights/equal-employment notices, DIR monitoring information, Section 3 information, permits, safety notices, and other City-required postings.

> **Required CDBG identification:** Prominently post the City-required funding acknowledgment at the worksite: "This project is funded in whole or in part with Community Development Block Grant (CDBG) Program funds provided by the U.S. Department of Housing and Urban Development (HUD) to the City of San Diego."

Document required postings through dated photographs or inspection records and verify periodically that they remain available and readable. Provide translations when required.

6. Volunteer or Unpaid Construction Labor

Do not use volunteer or unpaid labor on covered construction without first obtaining City direction. Federal labor rules address volunteer labor separately under 24 CFR Part 70, and state or other requirements may still apply. When volunteer work is permitted, maintain the City-required Volunteer Certification Form and records identifying the volunteer, date, hours, work performed, supervision, and applicable compliance determination.

7. City Notice to Proceed

The City will issue the written NTP after the pre-construction meeting and acceptance of all required environmental, contract, insurance, bonding, registration, permit, labor, and project documentation.

> **No early construction:** An executed contract, contractor-issued notice, board approval, permit, purchase order, scheduled start date, or verbal City discussion does not replace the City-issued NTP. Materials purchased or construction/demolition performed before the NTP will not be reimbursed unless the City has expressly authorized the specific cost in writing.

Retain the original City-issued NTP in the project file and provide a copy to the Prime Contractor.

F. Construction Administration, Labor Compliance, and Reporting

The Subrecipient must actively oversee the project from the NTP through final completion. Oversight must cover construction progress, quality, contractor performance, labor compliance, expenditures, changes, property, and closeout.

1. Monthly Programmatic Reports and Progress Photographs

Submit the monthly MPR by the deadline in the Operating Manual. In addition to the standard MPR requirements, describe the work completed, current percentage/stage of completion, inspections, contractor activity, schedule status, delays, corrective action, issues requiring City action, and progress toward the approved facility outcome.

Upload color progress photographs for each month in which construction occurs. Photographs must clearly identify the project area, show the work reported, support the costs claimed, document concealed work before it is covered when appropriate, and create a useful pre/during/post-construction record. When no construction occurs, explain the reason, corrective action, and expected restart date.

2. Construction RFRs, Contractor Payments, and Retainage

Follow Section VI: Requesting Reimbursement of the Operating Manual and the current RFR Guide. CDBG reimbursement may include only eligible work performed after the NTP that has been inspected or otherwise verified, accepted as applicable, and properly documented.

Control	What to verify
Approved work	Work is included in the executed contract and approved change orders and occurred after the NTP.
Progress	Quantities and percentage complete agree with the schedule of values, inspections, and photographs.
Amount	Invoice agrees with the contract, approved change orders, prior payments, credits, retainage, and remaining balance.
Compliance	Required permits/inspections, CPRs, Section 3 records, BABA records, and other conditions are current.
Contractor team	No unapproved Prime Contractor, subcontractor, supplier, material substitution, or scope change is included.
Payment	Subrecipient has paid the contractor from an organizational account and can document clearance before claiming reimbursement, subject to the general RFR rules.

Supporting records may include the contractor invoice/payment application, schedule of values, description of completed work, architect/inspector certification when required, Subrecipient inspection approval, progress photographs, permits, CPR/labor records, Section 3 documentation, BABA certifications, approved change orders, lien releases, CDBG/non-CDBG allocation, and proof of payment.

Stored materials / incomplete work. Do not claim materials stored off-site or work not yet completed unless the City specifically approves the arrangement in writing and the documentation satisfies City requirements.

Retainage. Amounts withheld from a contractor to assure satisfactory completion may not be reimbursed with federal funds until the withheld amount is disbursed to the contractor or to an escrow account established to assure satisfactory completion, consistent with 2 CFR 200.305(b)(8).

The construction file, accounting records, MPR, and RFR must agree. City reimbursement does not constitute final acceptance of construction quality and does not waive later review, monitoring, audit, disallowance, or other remedies.

3. Certified Payroll and LCPtracker

For projects subject to federal or state prevailing wages, the Prime Contractor and each applicable subcontractor must submit a weekly Certified Payroll Report (CPR) through LCPtracker within seven working calendar days after the payroll-ending date. The Subrecipient must review and approve each CPR within three working calendar days after submission.

Weekly reporting is required throughout the construction period, including payroll periods when no work occurred. Submit a no-work report or other documentation as directed. Contractors must also submit electronic certified payroll directly to the California Labor Commissioner when required; LCPtracker does not replace DIR reporting.

CPR must accurately identify	Examples
Worker / project	Worker identification, employer, project, contractor tier.
Work	Classification, days/hours, straight time, overtime, actual trade/work performed.
Compensation	Base wage, fringe benefit rate/method, gross wages, deductions, net pay.
Special workers	Apprentices, owner-operators, rental/equipment operators, sole owners, partners, and lower-tier workers, as applicable.
Certification	Required statements/eDocuments and supporting information in LCPtracker.

LCPtracker system validation does not replace the Subrecipient's review. Compare CPRs to the wage determinations, worker classifications, time records, payroll records, proof of payment, worker interviews, Section 3 information, and construction activity observed at the site.

4. Prevailing Wage, Classification, Apprenticeship, and Other Labor Controls

The Prime Contractor and each subcontractor must pay workers no less than the applicable prevailing wage and fringe-benefit requirements for the work actually performed. A contractor job title does not determine classification. When a required classification is not included in the applicable determination, follow the additional-classification process before paying the proposed rate.

The Prime Contractor is responsible for lower-tier compliance and correction of underpayments. Corrective action may include revised CPRs, wage restitution, proof of payment, liquidated damages for overtime violations, additional monitoring, withholding, or other action directed by the City or enforcement agency.

Labor compliance area	Core requirement / reference
Prevailing wages	Pay applicable federal/state prevailing wages and fringe benefits; California Labor Code §§1770 et seq. when applicable.
Apprentices	Comply with registered apprenticeship requirements, including Labor Code §1777.5 when applicable.
Certified payroll	Maintain and submit required records under Labor Code §1776 and applicable federal rules.
Penalties / debarment	Address applicable forfeitures, penalties, or debarment for wage/apprenticeship violations, including Labor Code §§1775 and 1777.7.

Nondiscrimination	Comply with applicable employment nondiscrimination requirements, including Labor Code §1777.6 and federal civil-rights requirements.
Kickbacks / worker fees	Do not accept or extract kickbacks or prohibited fees from workers; comply with Labor Code §§1778-1780 and applicable federal anti-kickback requirements.
Subcontractor listing	Comply with applicable subcontractor-listing requirements, including Public Contract Code §§4100 et seq.
Licensing	Prime and subcontractors must maintain required California contractor licenses and trade certifications.
Workers' compensation / safety	Maintain required workers' compensation insurance and comply with Cal/OSHA and project-specific safety requirements.
Employment eligibility	Comply with applicable federal employment-eligibility and work-authorization requirements.
Wage statements	Provide itemized wage statements as required by California Labor Code §226.
Unfair competition	Comply with applicable California unfair-competition laws and do not obtain an improper advantage through wage, licensing, or procurement violations.

Report suspected wage violations, payroll falsification, misclassification, unauthorized deductions, kickbacks, or unresolved discrepancies to the Project Manager immediately.

5. Worker Interviews

The City and/or Subrecipient will conduct confidential on-site worker interviews on projects subject to labor standards. Interviews must include a sufficient sample of classifications, Prime Contractor and subcontractor workers, and different stages of construction as appropriate.

Conduct interviews privately. Compare the interview information with the corresponding CPR, time records, wage determination, and payroll documentation. Investigate each discrepancy and document the condition, action taken, restitution/correction if required, and resolution on the interview form. Secure the interview records because they contain confidential worker information.

6. Section 3

The City will determine whether Section 3 applies under 24 CFR Part 75. For housing rehabilitation, housing construction, and other public construction projects, Section 3 generally applies when total HUD housing and community development financial assistance to the project exceeds $200,000. A $100,000 threshold applies when the assistance is from HUD Lead Hazard Control and Healthy Homes programs. The requirements apply to the entire Section 3 project, not only the CDBG-funded portion. Material-supply-only contracts are generally excluded.

Section 3 term	Summary

Section 3 Worker	A worker who currently meets, or met when hired within the previous five years, at least one of the following: income below the applicable HUD limit; employment by a Section 3 business concern; or YouthBuild participation.
Targeted Section 3 Worker	For housing/community development projects, generally a Section 3 Worker employed by a Section 3 business concern, living in the project service area/neighborhood, or participating in YouthBuild.
Service area / neighborhood	Generally within one mile of the project, or a larger circle centered on the project that includes 5,000 people when fewer than 5,000 people live within one mile.
Section 3 business concern	Status documented within the previous six months and meeting an applicable 51% low-/very-low-income ownership, >75% prior-three-month Section 3 labor-hours, or 51% public-housing/Section 8 resident ownership test.

Labor-hour measure	HUD benchmark
Section 3 Worker labor hours	At least 25% of total project labor hours
Targeted Section 3 Worker labor hours	At least 5% of total project labor hours; included within the 25% benchmark

When Section 3 applies, the Subrecipient must ensure that covered contractors and subcontractors include required clauses, complete certifications, track total labor hours/Section 3 hours/Targeted hours, enter required worker data in LCPtracker, conduct employment and contracting outreach, and maintain documentation supporting worker/business status. An applicable CPR may not be approved until required Section 3 information is entered.

When the benchmarks are not met, document qualitative efforts. Examples include targeted worker outreach, job fairs, apprenticeships/training, resume or employment-readiness assistance, job referrals, supportive services, outreach/technical assistance to Section 3 businesses, contract-sizing strategies, bonding assistance, and use of business registries.

7. BABA During Construction

When BABA applies, review materials before purchase and installation. Maintain product, manufacturer, supplier, location-of-manufacture, certification, delivery, and installation records. Flow the applicable requirements to each contractor, subcontractor, and supplier.

Immediately report unavailable compliant products, substitutions, missing documentation, or potential violations. Do not install a noncompliant product without written City authorization or confirmation of an applicable waiver.

8. Contracting Outreach and Business-Enterprise Reporting

Conduct and document the affirmative contracting outreach required by 2 CFR 200.321 and the Operating Manual, including consideration of qualified small businesses, minority businesses, women's business enterprises, veteran-owned businesses, and labor-surplus-area firms. Full and open competition remains required.

Unless the City provides revised instructions, maintain the information needed to complete the City's Minority Business Enterprise/Women-Owned Business closeout reporting for all applicable contracts and subcontracts over $10,000 paid with City of San Diego CDBG funds. Maintain the business name/address, ownership classification, trade/service, contract or subcontract amount, CDBG-funded amount, award date, employer/IRS identification information required by the City, and outreach records.

The Prime Contractor must provide timely and accurate information for every applicable subcontractor tier. Business-enterprise reporting does not authorize unpublished preferences or replace the published award criteria.

9. Inspections, Site Oversight, and Monitoring

Conduct periodic site inspections and a final inspection. Use inspections to verify construction quality, contractor invoices, reported progress, labor/site conditions, and required mitigation.

Inspection record should document	Examples
Basic information	Date, inspector, contractors present, project area, stage/percentage complete.
Work / quality	Work observed, materials/workmanship, consistency with plans/specifications, concealed work when relevant.
Compliance	Permits/inspections, environmental mitigation, required postings, accessibility, approved contractor/subcontractor roster.
Issues	Deficiencies, possible change-order conditions, corrective action, responsible party, due date, follow-up/resolution.
Evidence	Photographs and records supporting the observations and payment approval.

The City may conduct announced or unannounced site visits, technical inspections, labor reviews, worker interviews, and post-closeout property reviews. The Subrecipient, Prime Contractor, subcontractors, and consultants must provide access to the site and pertinent records. Monitoring may continue after the Agreement ends when property-use, labor, audit, warranty, records, or corrective-action responsibilities remain.

10. Contractor and Subcontractor Changes

Do not add, remove, or replace the Prime Contractor or a subcontractor identified in the approved procurement or pre-construction record without prior written City approval. Submit the proposed party's role and amount, licenses, DIR registration, debarment verification, insurance, applicable SAM/UEI, Section 3/BABA information, and other requested documentation before the party begins work.

G. Scope Changes and Change Orders

Written approval first: Every construction scope change or change order that affects CDBG-funded work must be submitted to and approved by the City before the affected work begins. Contractor field direction, architect approval, board action, emergency purchase, or verbal City discussion does not by itself authorize CDBG reimbursement.

1. Change-Order Request

Submit the request as soon as the condition is identified and before the contractor performs the work. For an emergency condition, notify the Project Manager immediately and follow written City direction before charging the related cost to CDBG.

Required element	Documentation
Change	Clear description of the proposed work and the affected location/contract item.
Reason	Why the change is necessary and why the condition was not reasonably foreseeable or included in the original IFB.
Technical support	Photographs, field reports, plans, specifications, inspection records, or other evidence.
Price	Itemized contractor proposal showing labor, material, equipment, overhead/profit included in the contractor price, credits, and other cost elements; independent review/estimate or cost analysis supporting reasonableness.
Funding	CDBG and non-CDBG sources and the cumulative percentage increase over the original aggregate construction contract amount.
Schedule / compliance	Impact on completion, permits, environmental review, labor standards, BABA, National Objective, approved Scope of Work, and other conditions.
Documents	Updated plans/specifications, schedule of values, contract amendment/change order, and other affected records.

2. Approval and Funding Limits

The City may approve, conditionally approve, partially approve, require revision, require a new procurement, require non-CDBG funding, or deny the request. Retain the request and written City response in the project file. Work completed before required approval is not reimbursable.

Approval does not increase the total CDBG award. Additional CDBG funds may be applied only when the condition is eligible, unanticipated, critical to completing the approved scope, reasonably priced, within available project funding, and does not undermine the original competition.

10 percent limit: Under the City's current NCIP policy, cumulative change orders may not exceed 10 percent of the original aggregate construction contract amount, including the CDBG and non-CDBG portions. A change exceeding available CDBG funds must identify an approved non-CDBG funding source.

3. Change Orders May Not Be Used To

- Add unrelated work or materially change the approved project purpose.
- Expand the scope simply because the winning bid was lower than expected or to exhaust the CDBG award.
- Correct inadequate planning that should reasonably have been addressed before bidding.
- Avoid competitive procurement or give the selected contractor an unfair advantage.
- Pay for work outside the approved CDBG scope or work completed before approval.
- Add an unapproved contractor or subcontractor.
- Extend construction beyond the Agreement period without written authorization.

A materially different scope may require a new procurement and additional environmental or program review.

H. Completion, Year-End Reporting, Closeout, and Continuing Property Use

1. Year-End Report for an Active NCIP Project

An active NCIP project that will continue beyond June 30 and is not ready for closeout must submit a Year-End Report in ED Grants by July 31 unless the City provides another deadline. The report covers the completed fiscal year and does not close the project.

Reconcile MPR/RFR totals, describe completed and remaining work, explain delays and corrective action, provide an updated completion schedule, and include required photographs and supporting records. Continue monthly reporting after the fiscal year according to the Agreement and City instructions.

2. Final Inspection and Punch List

Construction is not complete merely because the contractor stops work or submits a final invoice. Conduct and document a final inspection confirming that all contract work and punch-list items are complete, permits/regulatory inspections are closed, accessibility requirements are satisfied, installed systems function, the site is restored, and no unresolved deficiency remains. The City may participate in or conduct a separate final inspection.

3. Lien Releases, Warranties, and Final Construction Documents

Obtain all conditional and unconditional progress and final lien releases required by the contract, state law, and City instructions from the Prime Contractor, subcontractors, and suppliers. Resolve any stop notice, payment dispute, or lien before final payment or closeout.

Obtain required contractor, workmanship, manufacturer, and equipment warranties. Warranty records should identify the covered work/product, provider, effective date, warranty period, exclusions, claim procedure, contact information, and required maintenance. Transfer warranties to the property owner when appropriate. Maintain records of warranty complaints, inspections, corrective work, and resolution.

4. Final Contractor Payment and Final RFR

Before releasing final contractor payment, confirm that all applicable completion, lien-release, labor, and contract requirements are satisfied. Before requesting final CDBG reimbursement, also confirm that the Subrecipient has paid all amounts being claimed and maintains acceptable proof of payment. At minimum, confirm:

- All contract work and punch-list items are complete and accepted.
- Permits, regulatory inspections, and required completion certifications are closed or complete.
- Final contractor/subcontractor invoices and schedule of values are accurate.
- Contract amount, prior payments, change orders, credits, and retainage reconcile.
- All required CPRs, DIR submissions, worker-interview issues, wage restitution, and labor violations are resolved.
- Section 3 reporting and qualitative efforts are complete when applicable.
- BABA documentation and any approved waiver/substitution records are complete when applicable.
- Lien releases, warranties, property records, and closeout documents are received.
- Final construction costs reconcile with the General Ledger, RFR history, and approved budget.

Do not release final payment solely because the Agreement or fiscal-year deadline is approaching. The final RFR must contain complete support, and costs disallowed from the final RFR cannot be resubmitted.

5. City Notice of Completion

The City will issue its Notice of Completion after the required work is complete and applicable inspections, labor compliance, final payment documentation, warranties, property records, reporting, and other construction-completion requirements have been satisfied.

The City Notice of Completion is separate from any notice that must be recorded or issued under state law or the construction contract. The Subrecipient remains responsible for satisfying those requirements.

6. Closeout Request and Closeout Report

The City initiates the Closeout Request and releases the Closeout Report for Subrecipient completion in ED Grants. Complete the Closeout Request and submit the Closeout Report by the deadline in the Operating Manual or within thirty (30) calendar days after a later Agreement termination date, unless the City provides different written instructions. Reconcile activities, expenditures, funding sources, contract payments, program income, property, labor, and performance information.

Construction closeout category	Examples of required records
Program / financial	Final MPR/RFR; cumulative reconciliation; all project funding sources; fees/donations/program income; final budget balance.
Construction	Final inspection; permits/sign-offs; punch-list resolution; completion certificates; final photographs; City NTP and Notice of Completion.
Labor / Section 3 / BABA	Final CPRs; worker interview resolution; wage restitution; Section 3 reports; BABA certifications/waivers; final compliance issues.
Contract / payment	Prime/subcontractor invoices; schedule of values; proof of payment; retainage resolution; lien releases; warranties; approved change orders.
Property / business reporting	Property Records Report; recorded covenant/restriction; applicable Minority-Owned/Women-Owned Business information for contracts and subcontracts over $10,000 paid with City CDBG funds.
Other	Certifications and other records required by the current Closeout/Year-End Report Guide or project-specific City instructions.

7. Continuing Property Use and Real Property Disposition Monitoring

The improved property must continue to be used for the approved CDBG purpose and National Objective after construction. FY 2027 NCIP guidance requires the Subrecipient to demonstrate continued LMI benefit and maintain the quality of the improvements for at least five (5) years from the project completion date recorded by the City in HUD's Integrated Disbursement and Information System (IDIS), subject to any longer period in the Agreement, Declaration of Covenant, or other applicable requirement. Periods when the facility is closed to the public for one or more weeks may not count toward the five-year period when determined by the City.

Do not change ownership, use, operator, improved area, beneficiaries, lease/site control, or another condition affecting CDBG eligibility without prior written City approval. A sale, transfer, encumbrance, lease change, or conversion may trigger repayment, program-income, reversion, change-of-use, or disposition requirements.

Annual / post-closeout review may verify	Examples
Ownership / site control	Current owner, lease, covenant, encumbrances, operator.
Facility use / beneficiaries	Current services, facility users, City residency, LMI/National Objective source documentation.
Revenue	Rent, client fees, or other income generated from the CDBG-assisted property; multifamily rent information when applicable.
Maintenance	Condition and continued functionality of the CDBG-funded improvements; inspection findings and corrections.
Evidence	Photographs, beneficiary reports, property records, maintenance records, program-income records, and other City-requested documentation.

The City may conduct Real Property Disposition Monitoring during the continuing-use period. Monitoring and records obligations continue even after the construction Agreement has closed.

I. Specialized Acquisition, Relocation, Housing, and Lead Requirements

The following requirements apply only when triggered. Notify the Project Manager as early as possible. Do not take the affected action until the City determines the applicable requirements and provides written direction.

1. Real Property Acquisition

CDBG-assisted acquisition is subject to 24 CFR 570.606 and 49 CFR Part 24. The City will determine whether the acquisition qualifies as voluntary and which notices, appraisal, negotiation, just-compensation, environmental, and property-use procedures apply.

> **Do not acquire early:** Do not make a binding offer, negotiate terms, execute a purchase agreement, or acquire the property before required City authorization and environmental clearance.

When required, the acquisition file must include: official decision to pursue acquisition; property/owner identification; owner notices and evidence of receipt; appraisal scope, qualified independent appraisal, and review appraisal; fair-market-value/just-compensation determination; written offer and summary statement; negotiation records; administrative settlement justification; purchase and sale agreement; deed/conveyance; closing statement and incidental/transfer costs; payment evidence; liens; and complaints/appeals and resolution. Appraisals must meet 49 CFR 24.103.

The City department responsible for real estate transactions generally coordinates City acquisitions. Alternative procedures for an external Subrecipient or developer require written City approval and project-specific direction.

2. Displacement, Temporary Relocation, and Permanent Relocation

Acquisition, rehabilitation, demolition, conversion, or a permanent easement may trigger the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), Section 104(d), 24 CFR Part 42, and 49 CFR Part 24. Requirements may apply to the entire planned undertaking even when CDBG pays only part of the cost.

City approval before notices or moves: Do not issue relocation notices, require an occupant to move, begin temporary relocation, or make a relocation payment before the City approves the process and required notices.

A City-approved relocation plan may be required. Maintain, as applicable: household/member and property information; General Information Notice; Notice of Non-Displacement or Eligibility; reason for relocation; replacement-needs assessment; comparable replacement housing inspections; referrals and availability/rent/utility information; Temporary Relocation Notice; 90-day and 30-day notices and proof of receipt; claims and eligibility verification; payment records/canceled checks; contacts/advisory services; acknowledgments; and appeals/final decisions. Follow HUD Handbook 1378.0 and City instructions.

3. Housing Rehabilitation and Lead-Based Paint

When the project includes residential rehabilitation, maintain the project-specific household eligibility/demographic records, owner/tenant information, approved applications, owner/landlord agreements, rent information, inspections, work specifications/estimates, payment/change approvals, permits, relocation records, completion certificates, warranties, labor/Section 3 records when applicable, independent final inspections when required, and pre/post-construction photographs.

For pre-1978 housing or child-occupied facilities, the City will determine the requirements under 24 CFR Part 35, including evaluation, notices, safe-work practices, occupant protection, clearance, and recordkeeping. Do not disturb painted surfaces before receiving required City direction.

J. Required NCIP and Construction Project File

Maintain a complete, organized project file that allows the City, HUD, auditors, and other authorized reviewers to trace the project from approval through procurement, construction, payment, closeout, and continuing property use. Electronic records are acceptable unless an original or hard copy is legally required.

File section	Minimum records
Agreement / eligibility	Executed Agreement/amendments; approved Scope, budget, schedule; National Objective support; funding sources; site control; owner approval; APN/legal description; covenant/property restrictions; City approvals.
Environmental / specialized reviews	ERR correspondence/clearance; mitigation; historic, flood, biological, contamination, lead, accessibility, acquisition, relocation, and other project-specific records.
Design / permits	Plans/specifications; permit preliminary review/status; independent cost estimate; cost/price analysis; permits; inspections; corrections; final sign-offs.
Procurement	Advertisement; IFB; plan-holder/bidder list; pre-bid records; addenda; bid registry; all bids; tabulation; estimate comparison; responsibility/debarment checks; protest records; board action; unsuccessful-bidder notices; City review/approval.
Contracts / contractor eligibility	Prime and subcontractor agreements/amendments; licenses; DIR and PWC-100; SAM.gov/UEI when required; debarment; Business Tax Certificate; insurance; bonds; LWO; Section 3; BABA; business-enterprise records.
Labor compliance	Federal/state wage determinations; HUD 4010; LCPtracker/DIR CPRs and eDocuments; time/payment support; classifications; deductions; apprentices; worker interviews; violations; restitution; resolution.
Construction administration	Original City NTP; pre-construction forms; LCPtracker authorizations; worksite postings/CDBG sign; schedules; inspections; progress/final photos; correspondence; meeting notes; contractor invoices/payment applications; schedule of values; approved change orders; proof of payment; retainage records.
Special records	Volunteer Certification Forms when approved/applicable; BABA product documentation; Section 3 worker/business status; environmental mitigation; consultant/construction-manager records.
Completion / closeout	Final inspection; punch list; permits/sign-offs; completion certificates; lien releases; warranties; final labor/Section 3/BABA records; original City Notice of Completion; final MPR/RFR; Year-End/Closeout Report; City certifications.
Property / post-closeout	Property Records Report; City tags when applicable; annual inventories; covenant/restrictions; maintenance/loss records; disposition approvals; continuing-use/National Objective documentation; program income/revenue; post-closeout monitoring correspondence.

Construction records must agree with the accounting records and reports submitted to the City. Retain records for the period established in the Agreement and Operating Manual. Records subject to continuing property use, outstanding receivables, warranty claims, audit, monitoring, litigation, investigation, or corrective action must be retained until all applicable matters are resolved.

K. NCIP Implementation Checklist

Use this checklist with the Agreement, Operating Manual, current City Construction Project Checklist/Procurement Toolkit, wage determinations, and written Project Manager direction. It is a workflow aid and does not replace the underlying requirements.

1. Planning / Before Advertisement

☐	Confirm approved CDBG eligibility, National Objective, facility use, City residency/service area, and funding sources.
☐	Confirm ownership/site control, owner authorization, APN/legal description, lease term, and covenant requirements.
☐	Complete environmental review steps and obtain written clearance to proceed with procurement.
☐	Confirm permit requirements/status with Development Services and address accessibility before other improvements.
☐	Finalize bid-ready Scope of Work, plans/specifications, schedule, and CDBG/non-CDBG cost allocation.
☐	Prepare/update independent cost estimate and cost/price analysis; confirm estimator is not improperly competing for the construction contract.
☐	Obtain City labor determination, wage determinations, HUD 4010, Section 3 determination, BABA determination, LWO determination, and required clauses.
☐	Submit complete advertisement/IFB/contract package to Project Manager and resolve City comments.
☐	Issue sealed bid invitation within 90 days of the executed CDBG Agreement unless the City approves another schedule.

2. Bid / Contractor Selection

☐	Publish bid advertisement for at least five business days and keep bid period open 30 calendar days unless an approved alternative applies.
☐	Conduct pre-bid meeting/site walk when applicable and invite the Project Manager when requested.
☐	Issue written addenda to all known document holders; extend opening when a late material addendum requires additional time.

☐	Verify federal wage determination approximately 10 days before bid opening and issue required addendum.
☐	Date/time-stamp and secure bids; maintain bid registry; open bids according to the published process; return late bids unopened.
☐	Prepare bid tabulation; review responsiveness, arithmetic, bid bond, licenses, DIR, debarment/SAM, insurance/bonding capability, Section 3/BABA information, and subcontractors.
☐	Complete cost/price analysis and resolve bids that are high, low, or otherwise inconsistent with the independent estimate.
☐	Issue intent-to-award notice and complete at least the 10-day protest period (or longer if required).
☐	Obtain full governing-board approval and document meeting minutes.
☐	Submit procurement file and proposed Prime Contractor agreement to City; obtain required acceptance before execution.
☐	Notify unsuccessful bidders in writing.
☐	Complete PWC-100/DIR project registration within the City-required timeframe when applicable.

3. Before Construction

☐	Execute Prime Contractor and all applicable subcontractor agreements with required flow-down provisions.
☐	Confirm contractor/subcontractor licenses, DIR registration, debarment status, Business Tax Certificate, SAM/UEI when required, trade certifications, insurance, and bonds.
☐	Complete LCPtracker setup and required authorization/login forms.
☐	Complete City Pre-Construction Meeting Form and hold the pre-construction meeting with required parties.
☐	Post CDBG funding acknowledgment, wage determinations, labor/EEO notices, Section 3 information, permits, safety notices, and other required postings.
☐	Confirm environmental mitigation, permits, labor setup, Section 3/BABA requirements, and outstanding City conditions.
☐	Receive and retain the original City Notice to Proceed before purchasing construction materials or starting demolition/construction.

4. During Construction

☐	Conduct and document periodic site inspections; photograph progress and concealed work when appropriate.

☐	Submit MPRs/RFRs monthly; ensure construction records, accounting, MPR, and RFR tell the same story.
☐	Review contractor payment applications against schedule of values, inspections, approved changes, labor/Section 3/BABA status, retainage, credits, and prior payments.
☐	Ensure Prime Contractor and applicable subcontractors submit weekly CPRs in LCPtracker within seven working calendar days; review/approve within three working calendar days.
☐	Require no-work payroll reports when directed and verify required California DIR payroll submissions.
☐	Conduct/coordinate confidential worker interviews and resolve all discrepancies.
☐	Track Section 3 labor hours and qualitative efforts when applicable.
☐	Review BABA product documentation before purchase/installation when applicable.
☐	Document 2 CFR 200.321 outreach and applicable applicable MBE/WBE reporting for contracts and subcontracts over $10,000 paid with City CDBG funds.
☐	Request written City approval before any scope change, change order, contractor/subcontractor replacement, material substitution requiring approval, or other material change.

5. Completion / Closeout / After Closeout

☐	Complete final inspection and punch list; close permits and regulatory inspections.
☐	Obtain required progress/final lien releases and resolve payment disputes, liens, or stop notices.
☐	Obtain warranties and transfer them to the property owner/operations staff when appropriate.
☐	Resolve all CPR, wage restitution, Section 3, BABA, contractor, and compliance issues.
☐	Reconcile final contractor amount, change orders, credits, retainage, proof of payment, General Ledger, approved budget, and final RFR.
☐	Submit Year-End Report if the project remains active after June 30; submit Closeout Report when complete.
☐	Retain the original City Notice of Completion and all closeout documents.
☐	Maintain the property in the approved use, preserve the National Objective, comply with the Declaration of Covenant/site-control period, and submit annual continuing-use documentation as required.
☐	Keep construction, labor, property, warranty, audit, monitoring, and corrective-action records for the full required retention period.

L. Regulatory and Authority References

The following authorities support the requirements summarized in this Addendum. This list is a reference and is not exhaustive. Current law, HUD requirements, the Agreement, the FY 2027 Operating Manual, City policy, and written City direction control over an outdated summary.

Authority / resource	Subject
Housing and Community Development Act of 1974, Title I	CDBG statutory authority, eligible activities, National Objectives, labor standards, displacement, and administration.
24 CFR Part 570, especially Subparts C, J, and K	CDBG eligibility/National Objectives, Subrecipient agreements, real property, records, labor, environmental, relocation, Section 3, lead, debarment, conflicts, accessibility.
2 CFR Part 200, especially §§200.317-200.327	Procurement, competition, methods, outreach, domestic preferences, cost/price analysis, pre-procurement review, bonding, and contract provisions.
2 CFR 200.305(b)(8)	Payment rule for contractor retainage withheld to assure satisfactory completion.
24 CFR Part 58, especially §58.22	Environmental review and prohibition on choice-limiting actions before clearance.
40 U.S.C. §§3141-3148; 29 CFR Parts 1, 3, and 5; 24 CFR 570.603	Davis-Bacon and Related Acts, federal labor standards, anti-kickback requirements.
40 U.S.C. §§3701-3708	Contract Work Hours and Safety Standards Act / covered overtime.
24 CFR Part 75; 24 CFR 570.607	Section 3 applicability, labor-hour reporting, benchmarks, and qualitative efforts.
Build America, Buy America Act; 2 CFR Part 184; 2 CFR 200.322; current HUD BABA guidance	Buy America Preference, covered products, implementation, documentation, and waivers.
49 CFR Part 24; 24 CFR 570.606; 24 CFR Part 42	Acquisition, displacement, relocation, advisory services, payments, and replacement requirements.
24 CFR Part 35; 24 CFR 570.608	Lead-based-paint requirements.
24 CFR Part 8; 24 CFR 570.602/570.614; Americans with Disabilities Act	Accessibility, program access, and nondiscrimination based on disability.
2 CFR Parts 180 and 2424; 24 CFR 570.609	Federal suspension, debarment, and exclusion requirements.
California Labor Code §§1720-1861; SDMC §22.3019	California public works, prevailing wages, contractor registration, certified payroll, apprentices, project registration, and City application.
San Diego Municipal Code, Living Wage Ordinance (Chapter 2, Article 2, Division 42)	Living Wage requirements when determined applicable to the Agreement/project.
City Council Policy 700-02	City CDBG capital-project timeliness, subsequent same-site project limitations, property covenant/continuing-use, and reprogramming standards.

FY 2027 CDBG RFP Handbook	Current FY27 NCIP program conditions, including site control, construction eligibility, sealed-bid timing, construction management, accessibility, and continuing-use requirements.
FY 2027 CDBG Operating Manual, Construction Project Checklist, Procurement Toolkit, RFR Guide, and Closeout/Year-End Report Guide	City implementation procedures, forms, documentation, reporting, reimbursement, and closeout requirements.

Regulatory updates: Dollar thresholds, wage determinations, HUD waivers, City forms, and other requirements may change. The City will apply the requirement in effect for the project and may issue updated forms or written instructions during the Agreement period. When in doubt, obtain written Project Manager direction before proceeding.