



CDBG-DR Licensing and Permitting Policy

**NEW MEXICO HOME RECOVERY PROGRAM
DEPARTMENT OF HOMELAND SECURITY AND
EMERGENCY MANAGEMENT**

This policy is effective as of 3/20/2026 and may be updated periodically to reflect program implementation and evolving guidance from the U.S. Department of Housing and Urban Development (HUD).

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I. PURPOSE AND SCOPE

Purpose: The Licensing and Permitting Policy is designed to guarantee that Community Development Block Grant for Disaster Recovery (CDBG-DR) projects are carried out safely, lawfully, and in full compliance with federal, state, and local regulations.

Scope: This policy applies to all activities administered by the New Mexico Department of Homeland Security and Emergency Management (DHSEM), including single- and multi-family housing repair and reconstruction, public facility and infrastructure restoration, and construction or improvement projects under economic revitalization programs.

These requirements extend to all recipients of CDBG-DR funds—local governments, tribes, Mutual Domestic Water Consumers Associations, and other eligible non-state entities—along with all contractors, architects, engineers, and subcontractors performing work with program funds.

II. BACKGROUND

The Licensing and Permitting Policy sets clear requirements for all construction, rehabilitation, demolition, and infrastructure activities funded through the Community Development Block Grant – Disaster Recovery (CDBG-DR) programs for Presidential Disaster Declarations DR-4795 and DR-4843. Its purpose is to ensure that every entity involved—contractors, subrecipients, design professionals, and vendors—holds the proper licenses and that all necessary permits are secured before any work begins.

Implementation of this policy directly supports the objectives outlined in the 2024 CDBG-DR Action Plan approved by the U.S. Department of Housing and Urban Development (HUD). It advances resilient, code-compliant construction, protects public health and safety, and reinforces transparency and accountability in the use of disaster recovery resources.

III. POLICY STATEMENT

All CDBG-DR-funded construction and infrastructure activities carried out under the authority of the New Mexico Department of Homeland Security and Emergency Management must comply with clearly defined licensing and permitting requirements. These requirements apply across all programs, including housing, infrastructure, and economic revitalization. They must be fulfilled by all subrecipients, contractors, subcontractors, design professionals, and any entities performing work using CDBG-DR funds allocated through Presidential Disaster Declarations DR-4795 and DR-4843.

CDBG-DR recipients are strictly prohibited from engaging any individual or entity that is not properly licensed or from proceeding with any activity requiring a permit unless that permit has been issued and is active.



IV. DEFINITIONS

Term	Definition
Authority Having Jurisdiction (AHJ)	The local, county, tribal, or state agency responsible for issuing permits, reviewing plans, conducting inspections, and certifying compliance with applicable codes and regulations.
Certificate of Occupancy (CO)	A document issued by the AHJ confirming that a building or structure complies with building codes and is approved for occupancy or use.
Construction Industries Division (CID)	A division of the New Mexico Regulation and Licensing Department responsible for administering the New Mexico Construction Industries Licensing Act, issuing contractor licenses, and enforcing state construction codes.
Contractor	Any individual, firm, or entity engaged in construction, alteration, repair, demolition, or design work. This includes general contractors, subcontractors, architects, engineers, and design professionals.
Debarment/Suspension	A federal action under 2 CFR §180 and Executive Orders 12549 and 12689 that excludes an individual or entity from participating in federal programs. Debarred or suspended contractors are not eligible for CDBG-DR awards or reimbursement.
Final Closeout	The process by which DHSEM determines that all project requirements have been met, all permits and inspections finalized, and all documentation submitted before formally closing a project file and releasing final funds.
Licensure	The process of obtaining and maintaining a valid, current license issued under the New Mexico Construction Industries Licensing Act (NMSA 1978, Chapter 60, Article 13) or other applicable authority, including specialty trade certifications under Title 14 of the New Mexico Administrative Code.
Monitoring	The ongoing review by DHSEM of subrecipient and contractor activities to ensure compliance with licensing, permitting, and other program requirements. Monitoring may include desk reviews, field inspections, and audits.
Noncompliance	Any action or omission that violates federal, state, or local licensing and permitting requirements or program policies. Noncompliance



	may result in corrective action, repayment of funds, or disqualification from future program participation.
Permit	An official authorization issued by an AHJ that allows specific construction, alteration, demolition, or related activities to proceed. Permits are project-specific and may include building, electrical, plumbing, mechanical, grading, or environmental permits.
Project File	The official record maintained for each CDBG-DR-funded project. It must include current licenses, permits, inspection reports, certificates of occupancy, and related correspondence. Files may be electronic or hard copy, but must be organized, complete, and accessible for monitoring, audit, and public review.
Subrecipient	An entity such as a county, municipality, tribe, or Mutual Domestic Water Consumers Association that receives CDBG-DR funds from DHSEM to carry out eligible activities and is responsible for ensuring compliance with all licensing and permitting requirements.
System for Award Management (SAM.gov)	The federal database used to verify contractor eligibility and confirm that contractors are not suspended or debarred from participating in federal programs.

V. SCOPE OF WORK AND EVALUATION CRITERIA

A. License

All individuals or firms performing construction, alteration, repair, demolition, or design work must hold a valid license under the New Mexico Construction Industries Licensing Act (NMSA 1978, Chapter 60, Article 13). The Act prohibits anyone from acting as a contractor without a license issued by the Regulation and Licensing Department’s Construction Industries Division.

Licenses must match the type of work being performed and remain in good standing for the entire duration of the contract. It is the responsibility of the hiring entity—whether DHSEM, a subrecipient, or a prime contractor—to confirm that all contractors, subcontractors, and skilled workers are properly credentialed under state law. This includes general construction licenses as well as specialty certifications for trades such as electrical and plumbing, as outlined in Title 14 of the New Mexico Administrative Code.

Work performed under expired, suspended, revoked, or misclassified licenses is strictly prohibited. Licenses must be verified before work begins and re-verified if there are changes during the contract term.



B. Permits

No construction activity funded through the CDBG-DR program may begin until all required permits are issued by the appropriate authority having jurisdiction. Depending on the scope of work, this may include building, electrical, plumbing, mechanical, grading, and occupancy or use permits. Permits must be obtained through the local city, county, or tribal authority overseeing the project. For projects that affect water or wastewater systems, additional permits may be required from the New Mexico Environment Department under Title 20 of the New Mexico Administrative Code.

Permits are project-specific. Permits are project-specific and may not be transferred or used for another project, contractor, or site.. Any construction started before permits are secured is a violation of this policy and may result in the project being deemed ineligible for reimbursement.

For each project, permits must be obtained before physical work begins. This includes site preparation, demolition, excavation, or delivery of materials for permanent installation. Copies of permits must be kept on-site and made available to inspectors and program monitors. Inspection approvals must be documented and included in the permanent project file. At project closeout, records must show that all required permits were issued, inspections completed, and certificates of occupancy or use obtained.

Retroactive permits are not acceptable, except in rare situations where a local jurisdiction authorizes the process and provides written confirmation that the permit was issued in good faith. Any such exception requires written approval from DHSEM and may still result in compliance penalties.

All permitting practices must also follow the Uniform Administrative Requirements for Federal Awards under 2 CFR Part 200, Subpart D. Section 200.318(h) requires that contractors working under federal awards are properly qualified and in compliance with all licensing and performance requirements.

C. Debarment or Suspension

Contractors engaged in CDBG-DR projects must be in good standing and may not be suspended, debarred, or otherwise excluded from participation under federal procurement rules. Before awarding any contract, DHSEM and its subrecipients are required to verify contractor eligibility in the federal System for Award Management (SAM.gov). The contractor's license must also be current, appropriate for the specific scope of work, and consistent with all applicable local permitting requirements.

If a contractor is found to be suspended, debarred, or otherwise ineligible, they may not be awarded a contract or continue work on an active project. Any costs incurred under such circumstances may be declared unallowable and subject to repayment. DHSEM may also require the subrecipient to immediately terminate the contract and procure a replacement contractor in compliance with federal and state requirements. Continued use of a debarred or suspended contractor can result in



enforcement actions, including withholding of funds, recovery of disbursed payments, and potential disqualification from future CDBG-DR participation.

D. Recordkeeping

To protect public safety and preserve the integrity of the program, all permits and licenses must be documented and retained in compliance with federal recordkeeping requirements under 2 CFR §200.334. Records must include, at a minimum:

- Copies of all permits issued for the project (building, electrical, plumbing, mechanical, grading, occupancy/use, and any environmental permits).
- Inspection reports and approvals from authorities having jurisdiction.
- Current licenses for contractors, subcontractors, and design professionals.
- Certificates of occupancy or equivalent final approvals.
- Any related correspondence or compliance notices from regulatory agencies.

Documentation may be maintained as hard copy or electronic files, but must be organized, clearly labeled, and stored in the official project file. These records must be readily accessible for audit, monitoring, and public review, consistent with transparency obligations.

Records must be retained for a minimum of three years following final closeout of the federal award, or longer if required due to litigation, audit findings, or other pending actions. Failure to maintain complete and accurate records may result in disallowed costs, repayment of federal funds, or additional compliance penalties.

E. Coordination with Related Policies

The Licensing and Permitting Policy is part of a broader compliance framework that governs how New Mexico administers CDBG-DR funds. To maintain consistency and meet federal and state requirements, this policy must be applied in coordination with several related policies:

- Procurement Policy – Requires that contracts be awarded only to responsible firms with the ability to perform successfully. This includes confirming that selected contractors are properly licensed under the New Mexico Construction Industries Licensing Act and meet all permitting requirements before contracts are executed.
- Environmental Review Policy – Federal regulations prohibit physical work, including permit issuance or site preparation, until an environmental review is completed and HUD has issued an Authority to Use Grant Funds (AUGF). This ensures no construction begins before environmental clearance is secured.
- Labor Standards Policy (Davis-Bacon and Related Acts) – For applicable projects, contractors must not only hold valid licenses but also pay workers at or above prevailing wage rates. Compliance with both licensing and labor standards is required for reimbursement.



- Contractor Eligibility and Debarment Policy – All contractors must be verified through SAM.gov to confirm they are not suspended, debarred, or otherwise barred from federal contracting. Licensure alone does not meet this requirement, both must be satisfied before work proceeds.
- Recordkeeping and File Management Policy – All permits, licenses, and inspection records must be retained for at least three years after grant closeout (or longer if required due to audits or litigation). These documents must be accessible for monitoring and review.

Taken together, these policies establish an integrated system of internal controls that protect the integrity of the program, ensure compliance with federal and state law, and support the delivery of safe, high-quality disaster recovery projects. Subrecipients, contractors, and DHSEM staff must understand how these policies work together and apply them consistently throughout project planning, construction, monitoring, and closeout.

VI. ROLES AND RESPONSIBILITIES

The successful implementation of this policy relies on clear, coordinated responsibilities across multiple levels of oversight, including DHSEM, subrecipients, contractors, and local regulatory bodies. Each party engaged in the administration, delivery, or execution of projects funded by the CDBG-DR program bears distinct and enforceable responsibilities related to licensing and permitting.

Stakeholder	Roles & Responsibilities
DHSEM	The New Mexico Department of Homeland Security and Emergency Management serves as the grantee agency and the primary entity responsible for ensuring overall compliance with federal and state regulations governing the CDBG-DR program. DHSEM is responsible for issuing guidance to subrecipients, verifying contractor eligibility, conducting oversight of procurement processes, and ensuring that licensing and permitting documentation is collected, reviewed, and retained in accordance with 2 CFR 200.334. In addition, DHSEM may establish internal procedures to confirm that permits and inspections are obtained before payment is authorized for any construction-related activity.
Subrecipients	Subrecipients, which may include tribal governments, local municipalities, counties, mutual domestic water consumers associations, and other eligible non-state entities, are responsible for ensuring that all project-related activities are undertaken in full compliance with applicable local, state, and federal licensing and permitting laws. Subrecipients must confirm that all contractors and professionals hired to perform work funded by CDBG-DR have valid and active licenses



	<p>appropriate to the type of work being performed. Subrecipients are also responsible for coordinating with local authorities having jurisdiction to obtain required permits before initiating physical work. They must ensure that permits remain active throughout the duration of the project and that all inspections are completed and documented before project close-out. Subrecipients are required to maintain a complete permitting file for each project, which must be made available to DHSEM upon request.</p>
<p>Contractors</p>	<p>Contractors, including general contractors, specialty subcontractors, and design professionals such as engineers and architects, are responsible for maintaining valid, active, and appropriately classified licenses issued by the State of New Mexico. Under the New Mexico Construction Industries Licensing Act, no contractor may engage in regulated work without a license issued by the Construction Industries Division of the New Mexico Regulation and Licensing Department. Contractors are responsible for obtaining permits directly from the applicable permitting authority prior to initiating work, unless the subrecipient or property owner is legally designated to apply. Contractors must comply with all requirements outlined in permits, including calling for required inspections and corrections, and must adhere to all applicable provisions of the New Mexico Administrative Code, Title 14. Failure to maintain proper licensure or to comply with permit requirements may result in disqualification, non-payment, or legal action.</p>
<p>Local Governments and Regulatory Agencies</p>	<p>Local governments and regulatory agencies, including municipal building departments, county planning offices, and the New Mexico Environment Department, serve as authorities having jurisdiction and are responsible for issuing permits, reviewing construction plans, conducting site inspections, and certifying compliance with building codes and environmental regulations. These entities ensure that the physical work being conducted complies with all applicable state and local building and safety codes, including the International Building Code, International Residential Code, and other codes adopted by reference in the New Mexico Administrative Code.</p>

VII. COMPLIANCE & ENFORCEMENT

To ensure that the Licensing and Permitting Policy is implemented with integrity and accountability, the New Mexico Department of Homeland Security and Emergency Management shall conduct rigorous monitoring, enforce compliance, and apply corrective actions where violations are identified. This oversight process is critical to ensure that all projects funded under the CDBG-DR programs for DR-4795 and DR-4843 are executed lawfully and in compliance with federal and state requirements.



A. Compliance Lifecycle

Monitoring begins at project inception and continues throughout the lifecycle of each CDBG-DR-funded activity. Prior to issuing a notice to proceed, DHSEM staff or designated monitors will review documentation submitted by subrecipients to verify that the selected contractors hold the appropriate and current licenses issued by the New Mexico Regulation and Licensing Department, Construction Industries Division. DHSEM will also confirm that subrecipients or contractors have applied for, and, where applicable, received all required permits. In addition to a review of licensing and permits, this pre-construction review may include verification of electrical and mechanical certifications and business registrations.

B. Field Monitoring

During construction, field monitoring visits will be conducted by DHSEM or its third-party monitors to observe project progress, verify that permitted work is occurring as described, and confirm that all required inspections are being completed by local building authorities. If deviations from permitted work are discovered, or if inspectors determine that work is proceeding without valid permits or with unlicensed labor, DHSEM will initiate a formal compliance review.

C. Project Close Out and Audits

Upon project completion, a final compliance check will be performed. This includes verification that all applicable inspections were conducted, all permits were closed or finalized, and any necessary certificates of occupancy or approvals for use were issued by the authority having jurisdiction. Subrecipients must submit this documentation to DHSEM before final disbursement of funds or formal close-out of the project.

DHSEM may also conduct periodic audits or reviews of permitting records for a sample of completed projects to confirm systemic compliance. These audits will be retained as part of the agency's official monitoring file and may be made available to HUD for further review. The presence of consistent, well-documented compliance with licensing and permitting requirements will support the State's eligibility for future disaster recovery funding and demonstrate a strong internal control environment.

D. Non-Compliance

In cases of non-compliance, DHSEM will implement corrective actions in accordance with the 2 CFR 200.339. These actions may include written warnings, withholding of payment, suspension of work, recovery of disbursed funds, or debarment from future program participation. Projects found to have been completed without appropriate permits or licenses may be deemed ineligible, and all associated expenses may be subject to repayment.

Subrecipients are responsible for correcting compliance violations at their own expense. Contractors found to be operating without a valid license, or in violation of permitting requirements, may be subject to penalties under state law, including sanctions by the New Mexico



Construction Industries Division and potential civil or criminal liability under the Construction Industries Licensing Act. Continued violations or disregard for licensing and permitting requirements may result in DHSEM reporting the entity to the United States Department of Housing and Urban Development and recommending disqualification from all federally funded programs.

VIII. CONFLICTS OF INTEREST AND MODIFICATIONS

To maintain the highest standards of integrity, all stakeholders, including DHSEM staff, subrecipients, contractors, and partners, must adhere to strict conflict of interest guidelines and the Conflict of Interest Policy.

Individuals involved in the decision-making or procurement processes must disclose any personal or financial interests that might influence their objectivity in fulfilling licensing and permitting objectives. This requirement is crucial to ensuring that all actions taken under the Licensing and Permitting Policy are impartial and align with the principles of fairness and equity. Regular training will reinforce these standards and help identify and address potential conflicts proactively.

The Licensing and Permitting Policy is subject to continuous evaluation and refinement to adapt to changing legal requirements and community needs. Annual reviews, based on comprehensive feedback from stakeholders and affected communities, facilitate necessary modifications to enhance policy effectiveness. Modifications are implemented in a structured manner, ensuring alignment with both federal mandates and local objectives. All changes are documented, disseminated across all levels of involvement, and incorporated into subsequent training sessions, preserving the policy's integrity and responsiveness to emerging challenges.

IX. DOCUMENTATION & RECORDKEEPING

All records related to licensing and permitting must be maintained in compliance with federal standards outlined in 2 CFR §200.334. At a minimum, records must be retained for three years after the final expenditure report has been submitted. If litigation, audits, claims, or enforcement actions are pending, records must be preserved until those matters are resolved. This requirement applies to DHSEM, subrecipients, and contractors engaged in CDBG-DR activities.

A. Required Project File Contents

Each project file must contain sufficient documentation to demonstrate compliance with licensing and permitting requirements. At a minimum, files must include current contractor and subcontractor licenses issued by the Construction Industries Division, copies of all permits issued for the project, certificates of occupancy or final approvals, inspection logs, and closeout documentation confirming compliance with applicable codes and standards. These records must



be organized and legible so that they can be easily reviewed during audits, monitoring, or public inquiries.

B. Subrecipient Responsibilities

Subrecipients are responsible for maintaining these files in an organized manner and providing copies or summaries to DHSEM upon request or at defined milestones, such as reimbursement requests or project closeout. DHSEM will review the documentation as part of its monitoring process and will upload necessary records into the state’s grants management system to ensure compliance with federal requirements.

C. Reporting Obligations

In addition to maintaining complete project files, subrecipients and contractors must meet all reporting obligations related to licensing and permitting. This includes responding promptly to DHSEM data requests, completing compliance attestations, and disclosing any expired licenses, violations, or enforcement actions. Accurate and timely reporting is essential for maintaining transparency and preventing disallowed costs.

D. Consequences of Noncompliance

When discrepancies are identified, DHSEM may initiate a compliance review, require corrective action, or withhold payment until deficiencies are resolved. Failure to maintain adequate documentation or submit accurate reports may result in findings of noncompliance, repayment of funds, or referral to HUD’s Office of Inspector General under 2 CFR §200.339.

E. Program Integrity

Ultimately, recordkeeping and reporting are not administrative formalities but fundamental compliance obligations. They ensure that CDBG-DR funds are managed responsibly, protect the eligibility of projects, and strengthen public trust. All program partners share responsibility for maintaining complete and accurate documentation that reflects compliance with licensing and permitting requirements.

X. REFERENCES

This Licensing and Permitting Policy is governed by a comprehensive framework of federal, state, and local authorities. Compliance with each level of regulation is required as a condition of eligibility for CDBG–DR funding.

Executive Order, Federal and State Laws and Regulations	Description
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24 CFR 570	Governs the Community Development Block Grant program and outlines the basic rules, eligible activities, and construction standards.
24 CFR 570.482	Requires compliance with local codes and ordinances.
Uniform Guidance (2 CFR 200)	Establishes requirements for procurement, contractor oversight, financial management, and internal controls.
2 CFR 200 Subpart D (Sections 200.318-200.326)	Sets procurement standards for entities using federal funds.
2 CFR § 200.334	Sets the federal standard for retaining grant records, requiring recipients and subrecipients to keep all Federal award records for three years from the date of submission of the final expenditure report, with specific rules for rate negotiation documents, but agencies can request longer retention or transfer for high-value records, ensuring access for audits.
2 CFR § 200.339	Failure to maintain adequate documentation or submit accurate reports may result in findings of noncompliance, repayment of funds, or referral to HUD’s Office of Inspector General
HUD Federal Register Notices	Provide allocation-specific guidance for disaster recovery funds. Applicable notices for DR-4795 and DR-4843 include: <ul style="list-style-type: none"> • February 3, 2022 (87 FR 6364) • May 24, 2022 (87 FR 31636) • Any subsequent amendments or supplements.
New Mexico Construction Industries Licensing Act (NMSA 1978, Chapter 60, Article 13)	Requires that all individuals and entities engaged in construction be licensed by the New Mexico Regulation and Licensing Department, Construction Industries Division (CID). Section 60-13-3 prohibits unlicensed contracting activity.
New Mexico Administrative Code (Title 14)	Establishes detailed standards for building, electrical, mechanical, plumbing, and energy conservation codes, including permitting and inspection requirements.



New Mexico Environmental Department (NMED) Regulations	Apply to projects involving water, wastewater, or environmental discharges. These include requirements under the Water Quality Act, Safe Drinking Water Act, and related rules in Title 20 NMAC.
County and Municipal Governments	Maintain permitting and inspection responsibilities within their jurisdictions. Local requirements may include zoning approvals, building permits, inspection schedules, and issuance of certificates of occupancy (This policy does not override local requirements. Instead, it reinforces the obligation to comply with all applicable permitting processes as a condition for reimbursement under CDBG-DR).