



# Managing Activity Delivery Costs

2024 COSCDA Program Managers Training Conference

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## Agenda

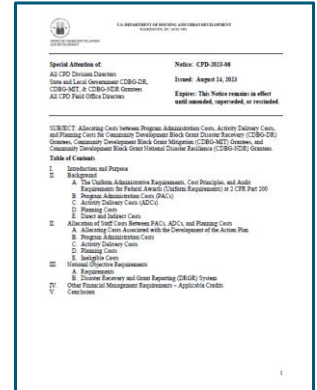
- CPD Notice overview
- Describing the Different Types of Costs
- National Objective Considerations
- Costs Related to the Development of the Action Plan
- DRGR Guidance
- Question and Answers

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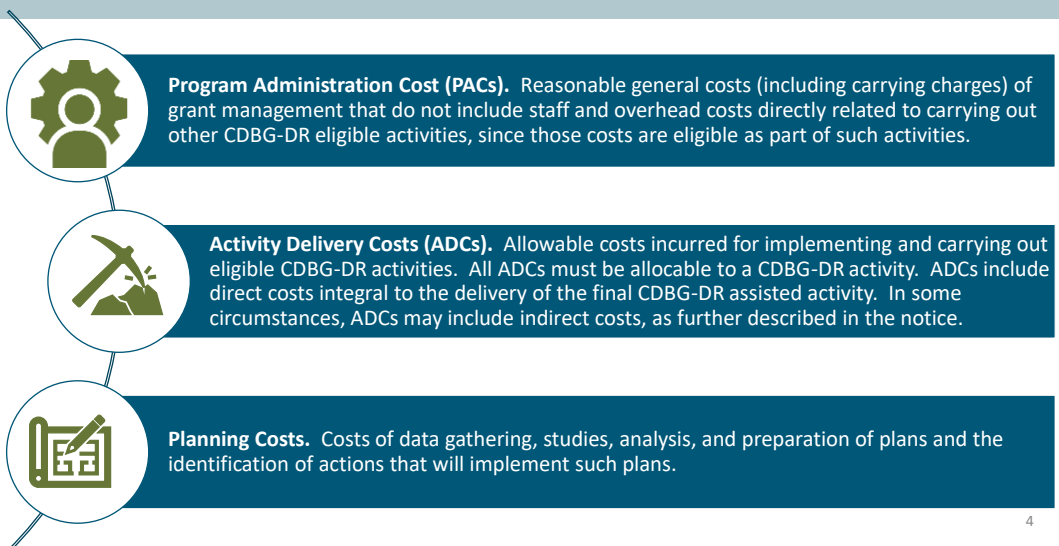
# CPD Notice on Allocating Costs

- [CPD Notice \(CPD-23-06\): Allocating Costs between Program Administration Costs, Activity Delivery Costs \(ADC\), and Planning Costs for Community Development Block Grant Disaster Recovery \(CDBG-DR\) Grantees, Community Development Block Grant Mitigation \(CDBG-MIT\) Grantees, and Community Development Block Grant National Disaster Resilience \(CDBG-NDR\) Grantees](#)
- What's new?
  - Updated CPD-13-07 to include all Part 200 updates
  - Added State CDBG Program citations
  - New guidance on how grantees can charge the costs of developing their CDBG-DR Action Plan
  - Guidance around inputting DRGR activities to group similar activities



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# CPD Notice on Allocating Costs



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## Program Administrative Costs (PACs)



- Max 5% of total grant amount (and 5% of program income)
- Costs incurred for the **general management**, oversight, and coordination **of the grant**
- Costs that cannot be directly attributed to a single, implemented project/activity
- Since administrative funds are limited, ensure costs are categorized correctly
- Citation: 24 CFR 570.206

Note: For state grantees, FRNs usually create an alternative requirement that the aggregate total for administrative and technical assistance expenditures must not exceed 5% of the grant, plus 5% of program income generated by the grant.

Program Administrative  
Costs (PACs)  
=  
Admin!

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## PAC Example



- Staff time to amend budgets and action plan text both in and outside of DRGR, because a grantee has decided to add an extra activity or adjust a budget of an existing activity.
- Monitoring activities and programs for compliance with HUD and local requirements.

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## Activity Delivery Costs (ADCs)



- Staff and overhead costs **directly** related to:
  - Administering and implementing programs
  - Management and execution of a specific activity or program area
- May be charged to the activity instead of charging to PACs

Beneficiaries (e.g., developers, business owners, and homeowners) are not recipients or subrecipients (see 2 CFR 200.1 and 570.500(c)) and therefore cannot incur ADCs or PACs.

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## Activity Delivery Costs (ADCs), cont.



While not explicitly defined in the regulations, these citations can be helpful:

- In distinguishing between ADCs and PACs, the CDBG Entitlement regulation at 24 CFR 570.206 notes that “staff and overhead costs directly related to carrying out activities [are] eligible under 570.201 through 570.204, since those costs are eligible as part of such activities.”
- In addition, the CDBG Entitlement planning regulation at 24 CFR 570.205(a)(4)(iii) and (iv) states that “...engineering and design costs related to a specific activity... are eligible as part of the cost of such activity under 570.201-570.204.”

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## ADC Examples



- Costs of buying paper for housing rehabilitation program applications or uniforms for code enforcement staff working in most impacted and distressed areas.
- Travel costs to make visits to the job site of a housing rehabilitation activity to monitor progress before making progress payments.

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## Planning Costs



### Eligible planning activities as outlined in (24 CFR 570.205):

- Comprehensive Plans
- Community Development Plans
- Functional Plans for:
  - Consolidated Plans
  - Land use and Urban Environmental Design
  - Economic Development
  - Open space and recreational
  - Energy use and conservation
  - Floodplain and Wetlands Mgmt.
  - Transportation
  - Utilities
  - Historic Preservation
- Small area and Neighborhood Plans
- Capital Improvement Plans
- Individual project plans (excluding certain costs)
- Development of codes, ordinances, and regulations
- Reasonable costs of general environmental, urban environmental design, and historic preservation studies
- Support of clearinghouse functions
- Assessment of Fair Housing
- Developing an inventory of properties with known or suspected contamination
- Capacity Building Activities to:
  - Determine its needs
  - Set long-term goals and short-term objectives, including urban environmental design
  - Devise programs and activities to meet these goals and objectives
  - Carry out management, coordination, and monitoring of activities necessary for effective planning implementation

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## Planning Costs Examples



- Costs related to a general environmental assessment- and remediation-oriented planning related to properties with known or suspected environmental contamination.
- Once these “general” costs move to activity specific costs and an activity will be pursued and completed – grantees can choose to move these to ADCs. *But must have a consistent policy for doing this!*

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## National Objective Considerations

For Admin:

- Generally, PACs are presumed to meet a CDBG national objective because such costs are generally made in support of other CDBG-eligible activities that meet a national objective.
- Thus, PACs are not included in the calculation of the 70% overall LMI benefit requirement at 24 CFR 570.200(a)(3)(i) and 570.483(f).

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## National Objective Considerations, cont.

### For Planning:

- Planning activities (570.205) are presumed to meet a national objective under the requirements at 24 CFR 570.208(d)(4).
  - Generally, in CDBG-DR, state grantees must comply with 24 CFR 570.208(d)(4) as well when funding disaster recovery-assisted, planning only grants, or directly administering planning activities that guide recovery in accordance with the applicable appropriations act. (Check your FR Notice for this language)
- Thus, planning costs are not included in the calculation of the 70% overall LMI benefit requirement at 24 CFR 570.200(a)(3)(i) and 570.483(f).

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## National Objective Considerations, cont.

### For ADCs:

- ADCs meet national objectives in the same proportion as the projects to which they are tied.
  - EXAMPLE: If a grantee is carrying out a housing rehab program where 100% of their beneficiaries are LMI households – then 100% of the ADCs associated with that activity would also meet the LMI Housing national objective criteria.
- If an activity does meet one of the LMI national objective criteria, then ADCs would count toward the LMI overall benefit threshold just like the other costs associated with that activity.

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## Costs to Develop the Action Plan

- In the annual CDBG program, staff costs incurred in creating the Consolidated Plan/Action Plan and Consolidated Annual Performance and Evaluation Report (CAPER) are considered Admin.
  - Clearly spelled out in CPD Notice 13-07, though there is some conflicting guidance in other places
- However, due to the scope and nature of CDBG-DR grants and the emphasis on data gathering, analysis, and planning for future disasters that must go into the development of CDBG-DR Action Plans, HUD has determined that CDBG-DR grantees may assign *some* staff costs in developing the Action Plan as **planning costs**.
- While all costs associated with developing the Action Plan can be assigned as Admin, grantees have the option of assigning certain costs in the planning costs column as either planning or Admin (see next slide).

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## Costs to Develop the Action Plan, cont.



### Costs that must be charged as PACs

#### 1) Outreach

- Costs related to providing local officials and citizens with information about the disaster recovery program or action plan.
- Costs related to other fair housing enforcement, education, and outreach activities (if not allocable as ADCs).

#### 2) Citizen Participation/Public Comment

- Costs related to citizen participation and public comment including the provisions of information and other resources to residents and citizen organizations participating in the planning, implementation, or assessment of activities being assisted with CDBG-DR funds.

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## Costs to Develop the Action Plan, cont.



### Costs that must be charged as PACs

#### 3) Program Design and Budget

- Costs related to the provision of fair housing services designed to further the fair housing objectives of the Fair Housing Act (42 U.S.C. 3601-20) by making all persons, without regard to race, color, religion, sex, national origin, familial status, or handicap, aware of the range of housing opportunities available to them.
- Costs to prepare program budgets and schedules, and amendments both in and outside of DRGR.

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## Costs to Develop the Action Plan, cont.



### Costs that may be charged as Planning or PACs

- **Unmet Needs Assessment:** Costs related to data gathering, analysis, and the development of the impact and unmet needs assessment used to inform the grantee's action plan.
- **Mitigation Needs Assessment:** Costs related to data gathering, analysis, and the development of the mitigation needs assessment used to inform the grantee's action plan.
- **Fair Housing Assessments:** Costs for Fair Housing planning activities, such as the assessment required to determine the impact CDBG-DR funds will have on protected class groups under fair housing and civil rights laws, vulnerable populations, and other historically underserved communities.
- **Consultation:** Costs related to the required consultation with states, Indian tribes, local governments, Federal partners, nongovernmental organizations, the private sector, and other stakeholders and affected parties in the surrounding geographic area, including organizations that advocate on behalf of members of protected classes, vulnerable populations, and underserved communities impacted by the disaster, to ensure consistency of the action plan, including costs to consult with other relevant government agencies, including state and local emergency management agencies that have primary responsibility for the administration of FEMA funds, if applicable.

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## CPD Notice on Allocating Costs, cont.

### What does this mean for you?

- In most cases, grantees will have to update their timekeeping systems to track cost details
  - Set up additional codes to account for admin and each program (including ADCs and Planning costs)
  - If note fields are available, recommend including them within the timecard entry
  - Provide staff tools to know how to report time for CDBG-DR



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## CPD Notice on Allocating Costs, cont.

- Contracting out some costs related to the development of the Action Plan?
  - Make sure you identify in your contracts what costs will fall under PACs and what costs can fall under Planning, so it's tracked accordingly.
- Remember there are types of costs that could be allocated under multiple cost categories!!
- Grantees should have policies in place to treat these types of costs consistently across its programs and ensure compliance with caps on planning costs.

**IMPORTANT NOTE:** While ADCs may be charged as PACs, PACs may not be charged as ADCs. This means a program administrative cost like marketing and outreach of the CDBG-DR action plan must be charged as a PAC; it cannot be charged as an ADC to the various activities created in the action plan.

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## Frequently Asked Question (FAQ)

### Should grantees share their PACs?

Grantees may want to consider whether local government subs will be managing just one single program or whether they will be managing multiple programs that span multiple activity eligibility types.

- For example, is the local government only administering a housing rehabilitation program? Or is the local government administering a housing rehabilitation program, a buyout program, and working with a nonprofit to run a small business grant program in an underserved community?
  - If the answer to the first question is yes, and the local government is only administering a single housing rehabilitation program then the state may not need to award any PACs to the local government, because all of the local government's costs would be associated with the delivery of that single DRGR Activity (e.g. housing rehabilitation).
  - However, if the local government is administering multiple programs that span multiple eligible activity types or is awarding funds to other pass-through entities then the state may want to consider whether awarding a portion of its allowable PACs would make sense, since some costs incurred by the local government might be for the overall administration of all of the local government's programs and may not be easily associated with just one of its activities.

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## DRGR Guidance

- All DRGR Activities must be tied to DRGR Project Budgets that include all similar activities grouped by categories, such as major programs outlined in the published Action Plan or DRGR Public Action Plan (e.g., Housing, Economic Development, Infrastructure).
- To facilitate the proper management of ADCs, if the national objective and the Activity Type are the same, then developments, contracts, projects, or programs can be consolidated into a single DRGR Activity.
- Grantees cannot create stand-alone DRGR Activities for ADCs.

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# Questions?

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# Thank you!

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