



Guidance on CDBG-DR Costs

CDBG-DR distinguishes between four types of costs. Grantees must understand the difference between these cost types in order to correctly classify costs.

COST TYPES

The table below provides guidance on each cost type. Note that cost types depend on the use of funds and who incurs them. There are caps and limitations on the use of each cost type to ensure that CDBG-DR funds are appropriately allocated. For example, only **Project Costs** and **Activity Delivery Costs (ADCs)** can count towards meeting the overall LMI benefit requirements. See the table for a full description of eligible costs and caps.

Refer to **Notice CPD-13-07: Allocating Staff Costs between Program Administration Costs vs. Activity Delivery Costs in CDBG**, which explains how to allocate costs. Note that Notice CPD-13-07 focuses on the regular CDBG program and does not address many of the typical costs incurred under the CDBG-DR program (e.g., duplication of benefits) or the specific requirements for documenting CDBG-DR costs (e.g., how the activity ties to the disaster).

Summary of Cost Types

Program Administration Costs (PACs)

Costs incurred for the general management, oversight, and coordination of the CDBG-DR grant. A full list of what costs are considered PACs is outlined at [24 CFR 570.206](#).

Examples	Cap	Who can incur these costs
<ul style="list-style-type: none"> Compliance and monitoring activities Leased office space for general CDBG-DR program specific operations Staff time and/or contracted services to manage the funds and CDBG-DR program overall Administrative, legal, accounting, internal auditing, IT, and human resources support Financial management and DRGR related activities Reporting including QPR 	Check Federal Register Notice but typically 5% of total appropriation.	Grantees and subrecipients. All costs must be related to CDBG-DR program.

Planning Costs

Costs for creating a plan, including data gathering, studies, analysis, and preparation of plans. (Planning activities related to a specific project is a Project Cost.)

Examples	Cap	Who can incur these costs
<ul style="list-style-type: none"> Comprehensive plans Community development plans Functional plans for housing/land use/economic development Mitigation plan or disaster resiliency plan 	Administration and planning cannot exceed 20% of appropriation so if 5% is allocated to administration, planning activities cannot exceed 15%. If the allocation is split with subrecipients, the total of all administration and planning costs may not exceed the cap.	Grantees and subrecipients.



Project Costs

Direct costs of undertaking a project and which can be tied to a final cost objective and eligible activity.

Examples	Cap	Who can incur these costs
<ul style="list-style-type: none"> Environmental review (if completed by developer for review and approval by the Responsible Entity) Acquisition costs Construction hard costs Demolition and site clearance costs Project soft costs such as architecture, engineering, and permits if these costs are paid by the beneficiary Developer fees, contractor overhead, and profit Costs to deliver public services, including staff time and other direct costs (such as supplies) Payments to homeowners for reconstruction activities Loans to businesses to assist with repairs or provide working capital 	None but all costs must be reasonable. Public service activities capped at 15% of appropriation.	Grantees and subrecipients, if operating the program directly. Developers and contractors. Program beneficiaries, such as individuals and businesses.

Activity Delivery Costs (ADCs)

Costs incurred by a grantee or subrecipient directly related to delivery of a specific CDBG-DR project or service to a beneficiary. Not required to be tied to a specific address but must be tied to delivering CDBG-DR eligible project/units.

Examples	Cap	Who can incur these costs
<ul style="list-style-type: none"> Environmental reviews (if completed by grantee or subrecipient) Development of program policies and procedures necessary to implement program Duplication of benefits review and analysis Completing work write-ups Conducting underwriting or applicant selection Leased office space for a single program operation Equipment and supplies necessary for carrying out eligible activity Applicant intake/eligibility screening for a specific program that does not result in eligible project or beneficiary 	None but all costs must be reasonable.	Grantees and subrecipients.

COST PRINCIPLES AND REQUIREMENTS

To classify and document costs correctly, be aware of the following requirements.

Meet cost principles. As outlined in 2 CFR 200 Subpart E, all costs must meet four criteria:

- Necessary:** CDBG-DR funding will fill a necessary gap to address an unmet need that cannot be filled by another funding source. This is demonstrated by conducting a duplication of benefits analysis and calculation for each activity.
- Reasonable:** Costs do not exceed what a prudent person would incur under similar circumstances as demonstrated by the market price for comparable goods and services. For contracted work, you should conduct an independent cost estimate to establish cost reasonableness.



- **Allowable:** Costs must be allowable under CDBG-DR rules and regulations and under 2 CFR 200 Subpart E. Some costs such as lobbying, entertainment, and alcohol are never allowed under any circumstances.
- **Allocable:** Costs must be clearly allocated, meaning the cost is assigned to a CDBG eligible activity with a methodology for determining where to attribute cost.

Document staff time and contractor and subrecipient costs. All costs must be clearly documented and attributed to a CDBG-DR eligible activity. Staff CDBG-DR costs must include a time card, time sheet, or other time keeping mechanism that demonstrates that the time was spent on the eligible CDBG-DR activity. With respect to determining the amount of staff costs to charge to program administration, grantees have two options:

- Include the entire salary, wages, and related costs of each person whose *primary* responsibility involves program administration assignments (e.g., executive director position); or
- Determine the *pro rata* share of each person's salary, wages, and related costs whose job includes *any* program administration assignments such as staff that work on CDBG-DR, FEMA, and HOME programs.

For contracted and subrecipient costs, the costs must be documented via invoices, receipts, and documents demonstrating proof of payment.

Tie to qualifying disaster events. All costs must be related to recovery from the disasters covered by the appropriation and can only be spent in the areas outlined in the FR Notice authorizing the appropriation. For example, to demonstrate that a housing unit or building was damaged during the qualifying disaster, the program could require an insurance adjuster's estimate of damage resulting from the event, FEMA damage documentation, or a local inspector's certification of disaster related damage. All PACs must be used for administering the CDBG-DR program and cannot be used to run other housing or HUD programs.