

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
**COMMUNITY DEVELOPMENT DIVISION**

**Subject: ADMINISTRATIVE AND PROJECT COSTS**

**Effective Date: September 1, 2015**

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This Policy Bulletin defines eligible Administrative Costs, Activity/Project Delivery Fees and Soft Costs for CDD funded grants.

**ADMINISTRATIVE COSTS - associated with general oversight of a housing program.**

Administrative costs include the reasonable costs of overall program management, marketing, monitoring, and evaluation. Such costs must be documented and include, but are not limited to, necessary expenditures for the following:

- **Staff salaries, wages, and related costs.** In charging costs to this category, the grantee may either include the entire salary, wages, and related costs allowable to the program of each person whose sole responsibility involves program administration assignments, or the prorated share of the salary, wages, and related costs of each person whose job includes any program administration assignments.

All administrative costs must be documented including staff time. Staff must keep a daily time log that shows the hours worked, project address and work performed (application review, income verification, inspections, etc.)

- **Travel costs incurred for official business** in carrying out the program.
- **Administrative services performed under third party contracts or agreements**, including such services as general legal services, accounting services, and audit services.

If an outside agency or professional consultant (i.e., regional. commission, community action agency, private consultant, etc.) is contracted to administer a grant, a daily time log must be established and submitted by the consultant to the grantee with other invoices for an FSR when requesting reimbursement of administrative dollars. Grantees will be required to maintain the documentation for MSHDA's review during the on-site monitoring and/or submit upon request as part of the FSR review.

- **Other costs for goods and services** required for administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space.
- **Public information.** The provision of information and other resources to residents and citizen organizations participating in the planning, implementation, or assessment of projects being assisted with CDD funds.
- **Fair housing.** Activities to affirmatively further fair housing.
- **Indirect costs.** Indirect costs may be charged to the CDD program under a cost allocation plan prepared in accordance with OMB Omni Circular 200 and approved by the U.S. Department of Housing and Urban Development.
- **Other federal requirements.** Costs of complying with the federal requirements. Project-specific and/or Tier II environmental review costs may be charged as Administrative Costs or as Activity/Project Delivery Costs. Tier I environmental review costs should be charged to Administrative Costs.

Infeasible Project Costs. Grantees may request using grant administrative funds for costs incurred on projects that are determined to be infeasible. The determination of cost eligibility will be made by MSHDA on a case by case basis.

**ACTIVITY/PROJECT DELIVERY COSTS – associated with specific addresses.**

Grantee staff time directly related to carrying out the project and assisting owners, tenants, and homebuyers; providing advisory and other relocation services to persons displaced by the project, including timely written notices to occupants, referrals to comparable and suitable replacement property, counseling, and other assistance necessary to minimize hardship. For multi-unit HOME-assisted projects, such costs must be allocated among units in a reasonable manner and documented.

The following items can be charged only against projects that actually receive CDD funding and have supporting documentation by person, activity, date and cost:

- Processing of applications for and loans from HOME/CDBG assistance
- Appraisals required by MSHDA
- Inspection(s) of properties
- Preparation and/or review of: Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or cost estimates
- Project underwriting
- Costs associated with project specific environmental review
- Costs associated with informing tenants or owners about relocation rights or benefits
- Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants

Activity/Project Delivery Costs may be charged as Administrative Costs or against the project as Activity/Project Delivery Costs at the discretion of the grantee.

**SOFT COSTS - associated with specific addresses.**

The following items, associated with specific addresses, can be charged only against projects that actually receive CDD funding and have supporting documentation by person, activity, date and cost:

- Costs of required environmental review directly related to the project
- Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or cost estimates
- Costs to process and settle the financing for a project
- For Acquisition/Development/Resale projects, holding expenses incurred throughout the rehabilitation/construction phase can be included on the Construction line under Hard Costs in the pro forma. Eligible expenses are those paid to third-parties for utilities, security, insurance, maintenance, payments on construction loans and taxes. Other expenses must be pre-approved by MSHDA.
- For rental projects, the costs of funding an initial operating deficit reserve (a reserve to meet any shortfall in income during the project rent-up to pay for operating expenses, scheduled payments to a replacement reserve, and debt service)
- Costs to provide information such as affirmative marketing and fair housing to homeowners and tenants
- Costs of a project audit that MSHDA may require with respect to the development of the project

If you have questions, contact your CD Specialist at 517-373-1974.

**Attachment**

A. Administrative and Project Costs Chart