

Number 1: CDBG COVID-19 Question and Answer

Using CDBG Funds for Staff Costs and Unused and Partially Utilized Space

March 25, 2020

Staff Costs

- Q. Are staff costs of CDBG program administration and eligible activities allowable if the staff person is on leave due to the closure of the grantee or subrecipient's offices in response to COVID-19?
- A. Yes. If staff costs meet the program administration requirements of 24 CFR 570.206 or are related to carrying out activities eligible under § 570.201 through § 570.204, the cost of fringe benefits, as provided at 2 CFR 200.431(b), in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:
- (1) They are provided under established written leave policies;
 - (2) The costs are equitably allocated to all related activities, including Federal awards; and,
 - (3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the grantee/subrecipient or specified grouping of employees.

Please note, however, such charges are subject to regulatory or statutory limits on certain categories of costs (e.g., the 20% limit on CDBG planning and administrative costs).

Unused and Partially Utilized Space Costs

- Q. What about the costs of unused and partially utilized space, when space used by grantees/subrecipients in carrying out activities with CDBG funds is no longer used or is no longer used fully in response to COVID-19, are costs such as maintenance, repair, rent, and other related costs, e.g., insurance, interest, and depreciation allowable?
- A. Yes, subject to program restrictions and the regulations at 2 CFR 200.446 *Idle facilities and idle capacity*. While costs for unused space (idle facilities) are usually unallowable, §200.446(b)(2) permits exceptions when the space (facilities) are idle for causes which could not have been reasonably foreseen. Clearly, the COVID-19 situation falls within that exception. Under this exception, "...costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities."

Grantees and subrecipients should note, however, that program regulations may prohibit certain costs referenced in the question. For example, 24 CFR 570.207(b)(2)(i) prohibits use of CDBG funds for maintenance and repair of publicly owned facilities and improvements.

As to partially utilized space (idle capacity), §200.446(c) provides that:

"The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary to carry out the purpose of the Federal award or was originally reasonable and is not subject to reduction or elimination by

use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices....”

Accordingly, costs of idle capacity are allowable, subject to the provisos in §200.446(c) and to any program regulatory restrictions noted above.

Resources

The Department has technical assistance providers that may be available to assist grantees in their implementation of CDBG Funds for activities to prevent or respond to the spread of infectious disease. Please contact your local CPD Field Office Director to request technical assistance from HUD staff or a TA provider.

- Submit your questions to: CPDQuestionsAnswered@hud.gov
- COVID-19 (“Coronavirus”) Information and Resources: <https://www.hud.gov/coronavirus>
- CPD Program Guidance and Training: <https://www.hudexchange.info/program-support/>