

# Expenses Incurred by a Local Nonprofit Organization

December 29, 1983

Mr. Richard Wittenberg  
Chief Administrative Officer  
County of Ventura  
800 South Victoria Avenue  
Ventura, CA 93009

Dear Mr. Wittenberg:

This is in response to your inquiry dated September 19, 1983, concerning the determination made by our Los Angeles Field Office with regard to the classification of the Community Development Block Grant (CDBG) expenses incurred by the Cabrillo Economic Development Corporation (CEDC), a local nonprofit organization engaged as a subgrantee by Ventura County.

While you are correct in your basic understanding of the distinction between general administrative costs which are subject to a 20 percent limitation and activity implementation costs which are not, the activities undertaken by CEDC would fall under the former category. Specifically, the activities undertaken by CEDC fall under 24 CFR 570.206(g), activities to facilitate the implementation of a Housing Assistance Plan (HAP) for necessary expenses, prior to construction, in planning and obtaining financing for the new construction or substantial rehabilitation of housing for lower income persons.

For administrative costs to be considered activity implementation and therefore excluded from the 20 percent limitation, they must be related to a specific activity carried out with CDBG funds. Since the CEDC's efforts were directed toward implementation of non-CDBG projects for securing housing and meeting HAP goals, the costs incurred could only be eligible under 24 CFR 570.206(g).

We, therefore, concur in the original determination of our Los Angeles Office. They will be contacting you concerning a final resolution of this issue.

Sincerely yours,

(signed, Jack Stokvis for)

Stephen J. Bollinger  
Assistant Secretary