



Department of Homelessness and Supportive Housing HSH Contracts and Procurement Policies and Procedures Indirect Costs Policy

PURPOSE

This policy establishes standardized guidance for the determination and application of indirect cost rates for grantees and contractors of the Department of Homelessness and Supportive Housing (HSH). It outlines the procedures for applying indirect cost rates in contractual agreements with HSH.

POLICY

HSH adheres to the City and County of San Francisco's Guidelines for Cost Categorization in Nonprofit Contracts and Grants¹. These guidelines provide uniform direction regarding allowable and unallowable direct and indirect costs eligible for City funding, including wages, fringe benefits, and de minimis rates.

In accordance with federal standards, the Office of the Controller defines indirect costs as those incurred for common or joint objectives that cannot be readily attributed to a specific final cost objective. These costs are organizational in nature and not directly assignable to a particular program or contract.

Grantees and contractors are required to:

- Adhere to the Controller's guidelines when distinguishing between direct and indirect costs;
- Develop a cost allocation plan that is reasonable, based on a documented methodology, applied consistently, and updated annually using audited financial statements;
- Submit the agency's cost allocation plan or federally approved indirect cost rate during contract negotiations for new agreements; and
- Notify HSH of any subsequent changes to the approved rate or methodology.

HSH applies a maximum indirect cost rate of 15 percent to its agreements.

Application of Indirect Cost Rates

HSH provides reimbursement of indirect costs up to 15% of direct budgeted expenditures under its annual agreements with grantees and contractors. However, indirect cost rates may not be applied to the following costs:

- Direct tenant or participant assistance dollars (e.g., rental assistance, subsidies, security deposits);
- Furniture, fixtures, and equipment for programmatic use;

¹ [Guidelines for Cost Categorization in Nonprofit Contracts and Grants](#)



- Fiscal agent fees charged by the grantee or contractor;
- Capital expenditures; and
- Property lease payments for master lease sites or other real estate fees.

Subcontracted Services

Subcontracted services are allowable as direct costs when necessary to support the final performance objective of the program. The prime grantee or contractor may apply its indirect cost rate to the first \$50,000 of total subcontracted expenses included in the approved HSH contract budget. Any subcontracted expenses exceeding \$50,000 must be excluded from the indirect cost calculation.

These examples are intended to provide guidance to HSH grantees and contractors but are not intended as a comprehensive list. Organizations should consult their HSH contract analyst if they are uncertain whether the indirect cost rate can be applied to a particular HSH contract budget expense.

Funding Source Considerations

In accordance with the Controller's Office guidelines, HSH reserves the right to establish a uniform indirect cost rate used for all agreements funded by the General Fund. This rate may also be applied to other local funding sources, unless otherwise specified in the governing legislation. For state and federal funding sources, HSH will verify the allowability of indirect costs with the respective funder.

POLICY APPROVALS

Last Updated: October 2, 2025

Originated by: Edilyn Velasquez, Contracts and Procurement Director

Reviewed by: Gigi Whitley, Chief of Finance and Administration

Approval by:

Shireen McSpadden
box SIGN 15JKXX7P-4LZ782RL

Shireen McSpadden, Executive Director

