

Challenging Total Development Cost Data: Guidelines for the Indian Housing Block Grant Formula

This document, in question and answer format, outlines the steps HUD requires for a tribe to challenge the Total Development Cost (TDC) data used in the FCAS component of the Indian Housing Block Grant (IHBG) formula.

Q1: How is TDC used in the formula?

A1: In accordance with 24 CFR 1000.320 and 1000.324, TDC is an adjustment factor applied to Low-Rent, Mutual Help, and Turnkey III units in the Formula Current Assisted Stock (FCAS) and the Need components of the formula.

Q2: How is TDC calculated?

A2: TDC is calculated by averaging the current construction costs for a moderately designed house as listed in not less than two nationally recognized residential construction cost indices. These indices draw their data from surveys of construction costs in a geographic area. Multipliers for each area are applied against these basic numbers to provide costs that are specific to a geographic location. A second multiplier is then applied to account for non-construction costs (administration, planning, site acquisition, financing, etc.) Site-based utility costs are included. Off-site costs such as water, sewer, roads, etc., are excluded.

Q3: How is TDC applied in the formula?

A3: The TDC adjustment is weighted to derive a local TDC relative to the national average for TDC. It is then applied to the modernization component of FCAS and the Need component of the formula.

Q4: Can tribes or tribally designated housing entities (TDHE) challenge their TDC as used in the IHBG formula?

A4: In accordance with §1000.336 (a)(5) a tribe/TDHE may challenge Total Development Costs.

Q5: How can a tribe/TDHE challenge its TDC?

A5: Tribes/TDHEs need to submit approval from the Area Office of Native American Programs (ONAP) or Denver Program Office of Grants Management pursuant to Notice PIH 2003-16 (TDHEs), Total Development Costs (TDC) for Affordable Housing under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) Issued: June 19, 2003. The Notice states:

If a tribe/TDHE determines that the published TDC amounts are not representative of construction costs in its area, it may

provide the Area AONAP with relevant information and request a variance. Variances may be requested for an individual project or for adjustments to current cost limits. The AONAP Administrator has authority to approve variances up to 110% of the published TDC. Variances beyond 110% must be approved by the Director, Denver Program Office of Grants Management. Relevant information to support a variance, can include, but is not limited to documentation demonstrating:

- Material costs have significantly increased since last publication of TDCs.
- Unusual site acquisition costs.
- Transportation costs of materials have increased since the last publication of TDCs.
- Natural disasters occurring after the last TDC publication date have caused an increase in material, labor and other construction costs.
- Special local conditions exist that result in higher construction costs.
- Evidence the tribe/TDHE has worked with the AONAP to lower the costs of the project, etc.

Q6: What do I need to do to update my IHBG formula data once my challenge has been accepted by HUD?

A6: In order for a challenge to be considered for the upcoming Fiscal Year (FY) allocation, a TDC variance for adjustments to current cost limits must be submitted by October 1 as described in Question 5 above. For example, all data and documentation must be submitted by October 1, 2006, for consideration in the FY 2007 IHBG funding cycle. Please note that variances approved for individual projects will not affect IHBG formula TDC data. Only approved variances for adjustments to the current cost limits will affect IHBG formula data.

Area ONAPs will notify the IHBG Formula Customer Service Center once such variances are approved. However, to ensure timely reporting, tribes/TDHEs are encourage to send a copy of the approved variance to the IHBG Formula Customer Service Center at the following address:

Appendix C: Challenging Total Development Cost Data

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