HUD-4119 Appendix B: Challenging Total Development Cost Data:

Guidelines for the Indian Housing Block Grant Formula

This document describes the data and documentation required by HUD for a Tribe to challenge the Total Development Cost (TDC) data used in the Formula Current Assisted Stock (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 24 CFR 1000.324, TDC is an adjustment factor applied to Low Rent, Mutual Help, and Turnkey III units in the 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/Tribally Designated Housing Entities (TDHE) challenge their TDC as used in the IHBG formula?

A4. In accordance with 24 CFR 1000.336 (a)(5) a Tribe/TDHE may challenge Total Costs.

Q5. How can a Tribe/TDHE challenge its TDC?

Q5. A Tribe/TDHE can request a variance for an individual project or overall adjustment to their current cost limits. If the variance is 110% or less than the published TDC, a Tribe/TDHE must provide relevant information and request approval from the Area Office of Native American Programs (ONAP). If the variance is greater than 110%, a Tribe/TDHE must provide relevant information and request approval from the Headquarters ONAP. 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 as verified by historical cost data for building affordable housing in their community.
- Evidence the Tribe/TDHE has worked with the AONAP to lower the costs of the project, etc.

For additional information, please see Notice PIH 2024-28, Total Development Costs (TDC) for Affordable Housing under the Native American Housing Assistance and Self- Determination Act of 1996 (NAHASDA) issued August 19, 2024.

Q6. What do I need to do to update my IHBG formula data once my challenge has been accepted by the Area or Headquarters ONAP?

A6. Only approved variances for adjustments to the current cost limits will affect IHBG formula data. Variances approved for individual projects will not affect IHBG formula TDC data.

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 August 1 to the appropriate Area ONAP if the request is 110% or less of the published TDC or to the Headquarters ONAP if the request is greater than 110% as described in Question 5 above.

Once a variance is approved, the Area or Headquarters ONAP will notify the IHBG Formula Customer Service Center. However, to ensure timely reporting, Tribes/TDHEs are encouraged to send a copy of the approved adjustment to the current cost limit variance to the IHBG Formula Customer Service Center at the following address:

IHBG Formula Customer Service Center
101 Ridgely Ave, Suite 10
Annapolis, MD 21401
Toll Free: 800-410-8808
Fax: 202-393-6411
E-mail: IHBGformula@firstpic.org