

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 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 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: 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 2009-27 (TDHEs), Total Development Costs (TDC) for Affordable Housing under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) issued August 10, 2009.

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. All data and documentation must be submitted by August 1, 2010, for consideration in the FY 2011 IHBG funding cycle.

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:

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Washington, D.C. 20036
Toll Free: 800-410-8808
Fax: 202-393-6411
E-mail: IHBGformula@firstpic.org