
HOPE VI TDC POLICY

Background and Authority

Total Development Costs (TDC) is a statutory provision that determines the means by which costs limits for the construction of Public Housing are to be determined. Section 6(b)(2) of the U.S. Housing Act of 1937 states, "The Secretary shall determine the total development cost by multiplying the construction cost guideline for the project (which shall be determined by averaging the current construction costs, as listed by not less than two nationally recognized residential construction cost indices, for publicly bid construction of a **good and sound quality**) by (A) in the case of elevator type structures, 1.6; and (B) in the case of non elevator type structures, 1.75."

HUD had been using Boeck and Marshall & Swift "average" indices to determine the TDC for approximately eight years. However, HUD encouraged liberal exceptions to TDC when applied to HOPE VI projects. The initial HOPE VI Revitalization grant agreements read:

A grantee is permitted, with HUD approval, to exceed 100 percent of the published total development costs for the developments under HOPE VI, where justified as necessary to meet the standards articulated in Article IX. (Article IX states that HOPE VI units are expected to be sustainable over the long term. HUD does not expect the grantee to adhere to standards of design and construction which have prevailed in the past, but instead will evaluate each revitalization for cost reasonableness in light of the new standards set forth in the HOPE VI program.)

Over the years HUD has issued exceptions to the TDC limits for approximately one-third of approved HOPE VI revitalization plans.

Development of Policy

The Department's effort to revise TDC policy was spurred by concern expressed by Congress and the broader public about HOPE VI costs. In order to respond to these concerns and assure fiscal responsibility, the Department saw that it was critical to put cost controls in place. Rather than continue to provide exceptions to current TDC Policy on a case-by-case basis, the Department undertook an extensive effort to set a TDC policy that will produce the desired product while also controlling cost.

The Department's draft TDC policy was circulated to Congress, PHAs, public interest groups and Mayors. The Department received letters from the U.S. Conference of Mayors, Enterprise Foundation, LISC, CLPHA, and NAHRO, among others, expressing their concern that the policy was overly restrictive and would jeopardize the integrity of the program.

The Secretary informed all parties that he would consider modifications of the proposed policy if so instructed by Congress. On May 22, 1998, HUD received a letter from the Senate and House Appropriations leadership (Senators Bond and Mikulski and Congressmen Lewis and Stokes) requesting modifications.

On the basis of this letter, the Department issued its final TDC policy, HUD Notice PIH 99-17, which is consistent with the Quality Housing and Work Responsibility Act.

Applicability of TDC Notice 99-17

The applicability of HUD's TDC policy is shown in the following chart.

Funding Source	Applicable Notice	Exceptions Considered
HOPE VI funds awarded in FY 1997 - 2000	Notice 99-17	No
HOPE VI funds awarded in FY 1993 - 1996	Notice 99-17	Yes for TDC and HCC, but will only be granted under extraordinary circumstances
Development and MROP funds (all awarded prior to FY 1996)	Notice 99-17	Yes for TDC and HCC, but will only be granted under extraordinary circumstances
Comp Grant and CIAP funds approved for development thru Notice 96-56	Notice 99-17	No

Exceptions to TDC Policy

All projects that have not received a TDC exception are covered by this notice. While a PHA with a grant awarded in FY 1996 or earlier may request an exception to exceed the HCC and TDC limits, it is extremely unlikely that HUD will grant any exceptions.