



U.S. Department of Housing and Urban Development
Public and Indian Housing

Special Attention of:

ONAP Administrators; Facilities Planning
& Development Directors; Facilities
Management Directors; and
Indian Housing Authorities (IHAs)

Notice: PIH 96-26 (IHA)

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Cross Reference: 24 CFR Part 950

Subject: Policies and Procedures on Maximum Allowable Total Development Cost (TDC) for the
HUD-assisted Indian Housing Program

1. **Purpose:** This Notice provides policies and procedures on the maximum allowable Total Development Cost (TDC) for the HUD-assisted Indian Housing (IH) Program. The imposition and determination of the maximum TDC of a project is required by Section 6(b) of the U.S. Housing Act of 1937, as amended. A schedule of per unit maximum allowable TDCs for Indian TDC Areas is included.
2. **Background:** The maximum allowable TDC ensures that adequate funds for decent, safe, sanitary, durable, cost effective, energy efficient, and culturally relevant housing will be provided for IH development projects. The statutory maximum allowable TDC represents an upper limit to be used by Area Offices of Native American Programs [herein after called area offices] in the funding of IH developments and the review of development budgets. All costs, excluding off-site water and sanitation facilities infrastructure and any donations received, excluding other HUD funds and Mutual Help Contributions, are considered in determining the maximum allowable TDC of an IH development.

The maximum allowable TDC for a development is calculated by multiplying the number of units for each bedroom size and structure type in the development by the applicable per unit maximum allowable TDC for bedroom size and structure type published herein and adding the resultant amounts for all units in the development.
3. **Applicability:** All IH developments without an approved Actual Development Cost Certificate shall be covered by the provisions of this Notice.
4. **Development Grant Approval:** The area office shall reserve funds for initial Development Grant Approval at the maximum allowable TDC for that IH development. The area office may reserve below maximum allowable TDC for special circumstances; such as, but not limited to:
 - a. The area office has insufficient funds to reserve at maximum allowable TDC.

- b. The estimated cost per unit is significantly below maximum allowable TDC.
5. Cost Review for IH Developments: The staff person assigned IH cost responsibilities shall review the Development Grant Approval and all development budgets for compliance with the published maximum allowable TDC. A record of the review shall be kept on file at the area office.
6. IHA Responsibilities: The IHA is responsible for ensuring that the housing design(s) for each IH development meets the building codes adopted by the tribal or local government and the cost of the units to HUD will not exceed the maximum allowable TDC or funds reserved.
7. Maximum Allowable TDC Area and Maximum Allowable TDC:
- a. The maximum allowable TDC Area is the geographic area associated with the published maximum allowable TDC figures. The area office determines the maximum allowable TDC Areas within its jurisdiction.

Each maximum allowable TDC Area published herein specifies:
 - 1) a geographical area with a defined boundary;
 - 2) a type of structure;
 - 3) a specific number of bedrooms included in the design; and
 - 4) a dollar amount expressed as a maximum allowable TDC per unit.
 - b. The maximum allowable TDCs are determined by the Secretary pursuant to Section 6(b) of the U.S. Housing Act of 1937, as amended, which requires the construction cost guideline for the project (which shall be determined by averaging the current construction costs, as listed by not less than 2 nationally recognized residential construction cost indices, for publicly bid construction of a good and sound quality) to be multiplied by 1.75 for non-elevator type structures.
 - c. The schedule of per unit maximum allowable TDC's included in this notice are for single family dwellings (1-4 family structures). For multifamily structures (more than 4 family), the area office shall request maximum allowable TDCs from the Headquarters Office of Native American Programs on a case by case basis.
8. Creation of New IH TDC Areas: Area offices should annually assess the adequacy of the maximum allowable TDC Areas that currently exist within its jurisdiction. The TDC Area should be a single contiguous physical area with a clearly identified boundary line. The area and boundary line should be indicated on a current state road map and maintained on file in the area office. TDC Areas should have a relatively consistent construction bidding environment and should be mutually exclusive in a geographic sense. The area office may recommend to ONAP Headquarters the addition or modification of a TDC Area for publication.

9. Exceeding Published Maximum Allowable TDCs:

- a. The TDCs may be exceeded by up to 10% of the published maximum allowable TDC for special situations; such as, but not limited to:
 - 1) An increase in cost due to relocation costs as required by other regulations or laws.
 - 2) An increase in cost due to on-site solid waste start-up costs necessary to access existing solid waste removal services.
 - 3) An increase in cost due to the use of energy efficient housing design(s).
 - 4) An increase in cost due to the use of culturally relevant design(s).

The area office Administrator may approve TDCs up to 110% of the published maximum allowable TDC for special situations.

- b. The TDCs may exceed 110% of the published maximum allowable TDC for good cause; such as, but not limited to:
 - 1) An increase in costs due to unforeseen site improvement costs (on-site only, not including any cost related to roads or driveways.)
 - 2) Cost increases due to project delays beyond the control of the IHA.

Each request to exceed 110% of the published maximum allowable TDC for an IH development shall be submitted to the Deputy Assistant Secretary for Native American Programs for approval. The requests must specify the "good cause" with appropriate documentation supporting the recommended action.

- c. The area office shall maintain on file a copy of the justification and supporting documentation for each request to exceed maximum allowable TDC and the subsequent approval or disapproval.
- d. Any request to exceed the published maximum allowable TDC for an IH development is subject to fund availability.

- 10. Time Adjustments: Data used for the calculation of maximum allowable TDCs will be adjusted for time to coincide with the publication of maximum allowable TDCs. No adjustments to the published maximum allowable TDCs herein are authorized.

_____/s/_____
Kevin Emanuel Marchman, Deputy Assistant Secretary
for Distressed and Troubled Housing Recovery