

## TOTAL DEVELOPMENT COSTS (TDC)

**BACKGROUND:** Under the United States Housing Act of 1937 (“1937 Act”) (42 U.S.C. 1437 et seq.), the construction cost limits were called Total Development Cost limits, informally referred to as TDCs. These limits covered the total cost of development, including both soft and hard costs of construction. Under NAHASDA, (25 U.S.C. 4101 et seq.), the regulations drafted by the Negotiated Rulemaking Committee, provided for a new system of construction cost limits called Dwelling Construction and Equipment costs, also referred to as DC&Es. The DC&Es covered only the “hard costs” of construction and did not include funds for administration and planning, architectural/engineering, or any costs more than 5 feet from the foundation of the building. In response to concerns expressed by tribes/TDHEs about the DC&Es, the Department revised the program regulations on September 28, 2001, after tribal consultation on proposed changes. It was agreed that a return to TDC limits, which include soft costs to define moderately designed housing would be implemented.

**TDC:** A TDC is published for each tribe and covers the Indian Tribe’s general geographic area. TDCs are developed specifically for the various sizes of a single-family unit. They are based on a moderately designed house and are determined by averaging the current construction costs as listed in two nationally recognized residential construction cost indices for publicly bid construction of a good and sound quality. The two cost indices used to compute the 2002 and 2003 TDCs are Marshall and Swift, and Boekh. Multipliers for each tribal area are applied against these basic numbers to provide costs that are specific to each geographical location. These local multipliers reflect local cost conditions and are designed to adjust the basic costs of each locality. They are based on weighted labor and material costs, including local sales taxes. A second multiplier is then applied to account for non-construction costs. The second multiplier adjusts the hard construction costs by adding additional funds to cover the soft costs, i.e. administration, planning, architectural fees, etc. These indices draw their data from surveys of construction costs in each specific area.

In late 2002, Boekh merged with Marshall and Swift, requiring the Office of Native American Programs (ONAP) to identify an alternate cost indice provider. Effective for the 2004 TDCs (intended for publication in late 2003), ONAP will utilize Marshall and Swift, and R.S. Means Co. construction cost indices.

TDCs are intended to include all costs necessary for administration, planning, site acquisition, financing (including payment of carrying charges), and on-site demolition, construction or equipment, and for otherwise carrying out the development of the project. Site based utility costs are included. Off-site costs such as water, sewer, roads, etc., are excluded.

**COMPUTING THE COST LIMITS:** TDCs are updated annually, utilizing the most recent data published. Data from the Marshall and Swift, and Boekh cost indices is entered onto an Excel spreadsheet.

There are two spreadsheets used for computing cost limits. The first is the Base Figures Sheet. The sheet is divided into two sides; one side for Boekh, and one side for Marshall-Swift. The same factors for each of the cost services are computed on the spreadsheet. The spreadsheet contains factors available for the base house, such as basic structure, square footage, perimeter, additional bathroom, garage, etc. There are some assumptions made. For example, each base figure includes the basic structure, with one bathroom. The base figures for a one or two bedroom unit include a bathroom. The cost for a second bathroom is computed separately for the 3, 4, and 5 bedroom units.

Climatic conditions are also addressed as standard, severe, and hostile. These take into consideration insulation requirements, seismic zones, average wind speeds, radon producing areas, average annual snowfall, annual average number of days with hail, annual average total heating degree days, annual average total cooling degree days, and annual average frost penetration. Each area features the base structure for that climate with specific features subtracted and additional features added. For example, Alaska is classified as “hostile”. The spreadsheet picks up the classification and in this case, adds costs for items such as a super-insulated crawl space and an arctic entry enclosed porch. Examples of climatic classifications often vary within a state. The climatic classification for the Susanville Rancheria in California is “severe” while the All Mission Indian Housing Authority outside of San Diego is classified as “standard”.

Square feet used for each bedroom size is:

1br	2br	3br	4br	5br
1050	1150	1360	1650	1850

The second spreadsheet is the Dwelling, Construction and Equipment (DC&E) spreadsheet. Although titled the DC&E spreadsheet, TDCs are also calculated here. The spreadsheet is sorted by ONAP office, then by state, and then by tribe. The adjusted base figures resulting from the computations on the Base Figures spreadsheet are entered on the DC&E spreadsheet. DC&Es are computed first. In order to compute the TDCs, a multiplier is used, as described earlier in the narrative. The multiplier used for the past 5 years is 1.75, which is the same multiplier used by Public Housing. The location multipliers for each of the services are also located on this spreadsheet. Multipliers from both services are used. The first three digits of the zip code for the tribe or tribal area are used to identify the proper multiplier. For example, the multiplier used for tribes/villages within the area code beginning with “997” (Alaska) is 2.04 (Boekh) and 1.41 (MS). The multiplier for tribes/villages within the area code beginning with “748” (Tulsa, OK area) is 1.36 (Boekh) and 0.88 (MS). The variations in multipliers are based on climate and local economic factors.