



National Association of Housing and Redevelopment Officials

630 I Street NW, Washington DC 20001-3736
Phone: (202) 289-3500 Toll Free: (877) 866-2476 Fax: (202) 289-4961

August 5, 2026

Department of Housing and Urban Development
Office of Policy Development and Research
Room 8208
451 Seventh Street SW
Washington, DC 20410

Re: Section 8 Housing Assistance Payments Program-Fiscal Year (FY) 2026 Inflation Factors for Public Housing Agency (PHA) Renewal Funding [Docket No. FR-6607-N-01]¹

To Whom It May Concern:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), I am pleased to offer the following comments in response to the notice titled "Section 8 Housing Assistance Payments Program-Fiscal Year (FY) 2026 Inflation Factors for Public Housing Agency (PHA) Renewal" (Docket No. FR-6607-N-01), published in the *Federal Register* on July 6, 2026.

The National Association of Housing and Redevelopment Officials, which was established in 1933, is a membership organization of approximately 26,000 housing and community development providers and professionals throughout the United States. NAHRO members create and manage affordable housing for low- and middle-income families and support vibrant communities that enhance the quality of life for all. Our members administer more than 3 million homes for more than 8 million people.

This comment letter is divided into three sections. The first section provides a brief background, the second section presents NAHRO's general comments, while the third section provides NAHRO's responses to HUD's questions.

For reasons explained in the letter below, NAHRO believes that HUD should make the following changes in its RFIF methodology:

1. Use the methodology HUD used in FY 2023 to calculate RFIFs for FY 2027;
2. Make no changes to RFIFs in FY 2026 using an additional factor;
3. HUD should not adjust RFIFs in 2027 based on a factor that would discount or mark up RFIFs based on a local jurisdiction's policies that impact housing supply;
4. If HUD is considering making adjustments to individual RFIFs in FY 2027, it should look at factors that may add costs to the operation of a voucher program and apply a markup to the RFIF for those agencies.

Additionally, NAHRO recommends that HUD meet with it and other interested stakeholders to further

¹ All citations are informal.

Sean Gilbert, PHM, SPHM, NCC, NAHRO Fellow, President; **Ivory Mathews**, Senior Vice President; **Marsha Parham-Green, CME, CPHM, CSI-HQS**, Vice President - Budget & Administration; **Joe Grisson, NCC**, Vice President - Commissioners; **Taryl Bonds**, Vice President - Community Revitalization & Development; **Angie Garcia-Nguyen**, Vice President - Housing; **Lisa Baker**, Vice President - International Research and Global Exchange; **Beverly Banks**, Vice President - Member Services; **Diane Cohen, CME, NCC**, Vice President - Professional Development; **Mark Thiele, C-PHM, CME, CMVO, NCC**, Chief Executive Officer

discuss proposed methodological changes and discuss new innovative ideas after this comment period ends.

Section I – Background

In fiscal year (FY) 2023, HUD calculated renewal funding inflation factors (RFIFs) by first calculating a national average per unit cost (PUC).² This required forecasts of gross rent and tenant income. The forecast of gross rent was based on forecasts of the Consumer Price Index (CPI) Rent of Primary Residence Index and the CPI Fuels and Utilities Index. Forecasted values of these series were applied to the FY 2022 national average two-bedroom Fair Market Rent (FMR) to produce a calendar year (CY) 2023 value. A “notional” PUC was calculated as “. . . the difference between gross rent value and 30 percent of tenant income” The change between the forecasted CY 2023 notional PUC and the CY 2022 notional PUC was the “expected national change in PUC.” For individual geographic areas, an inflation factor was calculated based on the annualized change in the area’s FMR. Those changes were then scaled such that the voucher-weighted average of all individual area inflation factors equaled the national inflation factor while allowing for no area to have an inflation factor less than 1.

In FY 2024, HUD made certain changes to this methodology. First, in some instances, the Department replaced the use of CPI, in part, with rates of rental inflation as captured by “private data.” Second, the Department changed how the gross rent component of the notional PUC was calculated. Gross rent was now calculated based “. . . on a weighted average of the expected change in national FMR . . . and the expected national change in Rent of Primary Residence CPI”³

In FY 2025, HUD updated its methodology “. . . to adopt a national PUC forecast by changing the gross rent component in a manner that empirically weights projected recent mover rents as measured by the FMR with an independent forecast of all-mover rents as measured by the Consumer Price Index (CPI).”⁴

In the FY 2026 appropriations bill, it states that HUD shall “. . . shall provide renewal funding for each public housing agency based on validated voucher management system (VMS) or successor system leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary, by notice published in the Federal Register”⁵ Prior appropriations bills included similar language and presumably future appropriations bills will also include similar language absent major structural changes to the program. As this language is included in language around renewal funding, it can be inferred that the inflation factor is meant to track changes in the cost of the voucher subsidy so that PHAs can continue to serve the same number of families under lease.

Since these methodological changes to the RFIF methodology in 2024 and 2025, the Housing Choice Voucher (HCV) program has experienced greater and greater shortfalls nationally despite Congress allocating the full eligibility (or nearly the full) amount for the HCV program forecasted by HUD.

² See <https://www.federalregister.gov/d/2023-07720>.

³ See <https://www.federalregister.gov/d/2024-10212>.

⁴ See <https://www.federalregister.gov/d/2025-10040>.

⁵ See <https://www.congress.gov/bill/119th-congress/house-bill/7148/text>. NAHRO believes that the appropriations language is controlling but notes that there is also language at 42 U.S.C. § 1437f(dd) that states that HUD “. . . shall renew all expiring tenant-based annual contribution contracts under this section by applying an inflation factor based on local or regional factors to an allocation baseline.” In either case, HUD’s proposed changes relying on factors to discount or mark up RFIFs beyond an inflationary amount appear to be outside of its statutory authority.

Section II - NAHRO's General Comments

The National Association of Housing and Redevelopment Officials (NAHRO) believes that HUD should make the following changes in its RFIF methodology:

1. Use the methodology HUD used in FY 2023 to calculate RFIFs for FY 2027;
2. Make no changes to RFIFs in FY 2026 using an additional factor;
3. HUD should not adjust RFIFs in 2027 based on a factor that would discount or mark up RFIFs based on a local jurisdiction's policies that impact housing supply;
4. If HUD is considering making adjustments to individual RFIFs in FY 2027, it should look at factors that may add costs to the operation of a voucher program and apply a markup to the RFIF for those agencies.

The Department should switch back to the methodology it used in FY 2023 to calculate RFIFs. This was the last year that the Housing Choice Voucher (HCV) program did not have massive national shortfalls despite Congress fully funding the program to its eligible levels. The original rationale for the change from the FY 2023 methodology to the FY 2024 methodology was the difference between rental prices paid by recent movers and those who remained in their units. This difference was a consequence of the pandemic. As the nation is now several years from the end of the pandemic, this rationale no longer applies. Additionally, the change incorporated private data into the RFIF calculation. While this may have been justified in the short term, this private data is a "black box" and it is unclear what impact it is having on RFIFs. At this time, the Department should return back to the fully transparent methodology that it was using in FY 2023 and then explore additional, new avenues for how RFIFs can be improved based on that methodology.

Should the Department not switch back to the methodology it used in FY 2023 to calculate RFIFs, then it should focus on devising a methodology that fully captures the increasing costs of the HCV program. The following are two examples of methodologies that the Department could consider but the Department is free to consider other methodologies as long it is capturing the increasing costs of the HCV program. The Department could use a methodology that projects or trends forward increases in per unit cost (PUC) or a methodology that is based on a modified operating cost adjustment factor (OCAF).⁶ The Department has acknowledged the utility of using projected annualized PUC in previous guidance by stating that "[i]f [a PHA's] PUC trend is higher than [its] RFIF . . . [the PHA] is likely at high-risk of funding shortfall . . .".⁷ In this way, the Department is acknowledging that a projected PUC is equally as likely to occur as a RFIF calculated under the current methodology.

If the Department were to choose to use a modified OCAF methodology, NAHRO suggests making adjustments for higher insurance costs, higher staffing costs, and the costs for maintenance of buildings. Absent a methodology that accurately captures the costs of running a program, housing agency funding eligibility will not cover the true cost of running the voucher program resulting in a decline in the total number of families served and a potential termination of families.

The goal of any RFIF methodology should be to produce an RFIF for a PHA that accurately captures the

⁶ The Department may wish to utilize its own collected administrative data in the Voucher Management System (VMS) to calculate PUC.

⁷ See <https://www.nahro.org/wp-content/uploads/2025/12/HUD-Letter-to-PHAs-Take-Cost-Saving-Measures-For-HCVs-Dec-2025.pdf>.

cost increases to the voucher program. If a methodology fails to capture the cost increases, housing agencies will not have the funding to ensure all their voucher holders are able to pay rent. Families across the country will lose their assistance and evictions will increase. Additionally, RFIFs that do not capture the increasing costs of the program will hinder development in many communities. Housing agencies will lack the funding to project-base vouchers. Project-basing vouchers are a key component of many affordable housing deals. Usually these deals include multiple funding streams (e.g., project-based vouchers, HOME Investment Partnerships funding, Low-Income Housing Tax Credits, etc.). If housing agencies are unable to project-base vouchers because of low RFIFs, many affordable housing development deals will be impacted and potentially stopped. This will have deleterious impact on the pipeline of new housing units leading to increased inflationary rental pressures.⁸

The Department should not use any additional factors in the calculation of RFIFs in FY 2026. It is already August, 2026 with the fiscal year ending on September 30. It is too late in the federal fiscal year for HUD to make major changes to a PHA's budget. Changes in the RFIFs at this time would potentially wreak havoc on the planning processes that PHAs must take. Agencies already receive budget information late as Congress rarely passes a federal budget before the start of a new fiscal year. Then information about offsets takes another few months. Making changes at this stage will make it impossible to efficiently run a voucher program.

Additionally, the Department should not adjust RFIFs in 2027 based on a factor that would discount or mark up RFIFs based on a local jurisdiction's policies that impact housing supply for multiple reasons. First, discounting a housing agency's RFIF will mean that its funding eligibility will not match its voucher costs. This will inevitably result in termination of families and a likely increase in homelessness. Second, as noted in the response to question 1 in section III of this letter, housing agencies do not have control over policies that would impact housing supply (e.g., land use policies, permitting policies, or development approval policies). Thus, trying to incentivize housing agency behavior in this area will have no impact on housing supply.⁹

If the Department wishes to increase housing supply there are two steps that it should take. First, the Department should focus its capacities on implementing the provisions of the recently passed 21st Century Road to Housing Act. This statute includes many provisions which will help to increase the housing supply and will naturally lead to lower RFIFs as rental inflation declines as a consequence. Competently implementing the supply-specific provisions within HUD's purview within the next six months to a year will likely be the most impactful thing that HUD could do to lower costs of the Housing Choice Voucher program and its RFIFs. As Representative French Hill notes "[The 21st Century Road to Housing Act] reduces unnecessary barriers to building, strengthens community banks, and ensures families – not institutional investors – have a fair shot at buying a home."¹⁰ As Senator Scott notes in a press release the ". . . [The 21st Century Road to Housing Act] reflects years of work to expand the American Dream by tackling the housing shortage at its source, removing barriers to building, protecting taxpayers, preserving

⁸ While artificially low or incorrect RFIFs will lead to fewer units, it will also lead to fewer deeply affordable units in mixed-income developments. Ironically, penalizing communities with low housing supply with lower RFIFs will damage their new unit pipeline and create even fewer new units in those communities.

⁹ An analogy may help illustrate this principle more clearly. This is akin to a person withholding from or giving additional food to their dog to incentivize better summer weather. As the dog has no control over the weather, the incentive—irrespective of the magnitude—will have no impact.

¹⁰ See <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=411189>.

local control, and helping more families put down roots.”¹¹

Second, the Department should work with Congress to increase the project-based voucher (PBV) portfolio cap to 50%. Currently, housing agencies can project-base up to 20% of their HCV portfolio (though they may go up to 30% in certain cases). Allowing housing agencies to project-base up to 50% of their portfolio will allow agencies to use PBVs in development deals and allow for the creation of new affordable housing. Additionally, in high cost areas, the PBV housing assistance payment (HAP) contracts of up to 20 years will lock in prices to a greater extent and reduce costs over the medium to long term. Additional new units may also help to decrease inflationary rental prices.

If HUD does wish to use a factor to modify RFIFs, it should focus on factors that mark up agencies that may experience certain higher costs such as the following:

Agencies using Mandatory Small Area FMRs – while research shows that over the long term small area FMRs do not increase costs, in the short to medium term, Small Area FMRs will likely increase costs if PHAs choose to hold harmless families in zip codes where the Small Area FMR is less than the previous general FMR.¹²

Agencies Promoting Moves to Areas of Opportunity – research shows that voucher holders moving to areas of opportunity increase lifetime earnings for children under the age of 13.¹³ These types of programs may cost additional funding.¹⁴ As this may lower the use of subsidy programs by the impacted children in the future, HUD may wish to promote this to lower costs in the long term.

Agencies Increasing Success Rates of Voucher Holders – success rates (i.e., the rate at which a family that is issued a voucher is able to use it to find a unit) are falling nationally.¹⁵ Some housing agencies have programs and policies designed to counter this fall.

Agencies with High Household Rent Burdens – the Department may wish to mark up agencies that have high household rent burdens. This could allow agencies to adjust payment standards such that families are less burdened and are able to funnel their limited income towards economic independence activities rather than rent.

This non-exhaustive list illustrates how a factor added to the RFIF may be beneficial.¹⁶ These policies, some of which are mandated by HUD, help the HCV program operate better. Creating a factor to provide additional funds for agencies implementing them would be a useful way to structure a RFIF factor if HUD insisted on employing one.

¹¹ See <https://www.banking.senate.gov/newsroom/majority/chairman-scotts-21st-century-road-to-housing-act-becomes-law>.

¹² See https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4898968, p. 24. It states that “[w]hile it is encouraging that Small Area FMRs were on net cost neutral for new recipients, shifting to ZIP Code rent subsidies may not have been cost-neutral for existing voucher holders during this time frame given that HUD exempted sitting voucher recipients from the new rental subsidy framework in the short-run.”

¹³ See https://opportunityinsights.org/wp-content/uploads/2018/03/mto_paper.pdf.

¹⁴ See https://opportunityinsights.org/wp-content/uploads/2019/08/cmto_paper.pdf.

¹⁵ See Ellen et al., Race, Space, and Take Up: Explaining housing voucher lease-up rates (2024), <https://www.sciencedirect.com/science/article/pii/S1051137723000670>.

¹⁶ Much of the data required for these adjustments can be found in HUD’s administrative data.

The Department may also want to consider incorporating certain adjustments to the RFIF methodology which would lead to more efficient operation of the HCV program. One change may be to set a floor for RFIF reductions from year to year. This would ensure that program finances are more reliable and not susceptible to rapid shocks. Another potential change the Department should consider is to allow upward adjustments to RFIFs in instances where OCAFs may exceed the RFIF. If the RFIF is lower than the OCAFs for developments in an area, then voucher funding will disproportionately be used for project-based developments over tenant-based vouchers leading to fewer vouchers overall. Finally, the Department should consider a one-year delay in any RFIF reduction. Again, this will help mitigate shocks in voucher financing leading to more efficient program operations.

NAHRO notes that HUD may lack the statutory authority to create this factor. HUD derives its authority for the RFIFs from yearly appropriations language. Typically, the language states that HUD must apply an “inflation factor.”¹⁷ Creating a factor that targets the creation of housing supply seems to fall outside the scope of the statutory language (i.e., the factor is no longer tracking costs of the program the way an inflationary factor is meant to). A factor based on the suggestions above that tracks increased costs would fall under the ambit of the term “inflation factor.” We caution HUD to follow all applicable laws and requirements if it decides to change the RFIF methodology.

Section III - NAHRO’s Specific Responses to HUD’s Questions

1. Should HUD consider adjusting the FY 2027 RFIF methodology to incorporate a factor that discounts the full local inflation adjustment in areas where there is an indication that housing supply is relatively constrained, such as constraints on land use, permitting, or development approval policies? Should HUD consider incorporating a markup on the full local inflation adjustments in areas where there is an indication that housing supply is relatively unconstrained?

No, HUD should not consider adjusting the FY 2027 RFIF methodology to incorporate a factor that discounts the full local inflation adjustment in areas where there is an indication that housing supply is relatively constrained. Policies that impact housing supply, like land use, permitting, or development approval policies are generally not controlled by housing agencies. If HUD’s goal is to incentivize behavior that would restructure local rules to incentivize housing supply then housing agencies are the wrong entity to target. To NAHRO’s knowledge, most housing agencies lack the authority to make these changes in their jurisdiction.

The local jurisdiction and other entities (e.g., local government, city government, county government, or certain planning boards), which may have control over some of the policies that HUD is targeting, are unlikely to change their policies based on an increase or decrease in an RFIF. In general, entities besides housing agencies tend to be unaware of RFIFs or their role in the Housing Choice Voucher program. They will be unaware of any increase or decrease and will likely not tailor their policies on the basis of an inflation factor they are unaware exists.

Finally, applying a factor may be complex for certain housing agencies. Housing agencies may have vouchers across multiple local jurisdictions which have different laws and permitting processes (e.g., state agencies). It is not clear how any adjustment would impact those agencies.

¹⁷ See <https://www.congress.gov/bill/119th-congress/house-bill/4552/text>.

There is no rational basis to conclude that modifying the RFIF for a housing agency will impact or incentivize the creation of additional housing supply for its jurisdiction. One of NAHRO's general principles is that housing agencies should not be penalized for metrics that are outside of their control. For this reason, we strongly oppose HUD incorporating this factor.

2. What type of factor could HUD incorporate into the RFIF methodology to modify the full inflation adjustment for areas with particularly high or low housing supply or regulatory restrictions on housing construction?

For the reasons stated in the answer to question 1, it is nonsensical to modify the RFIF methodology with a factor targeting areas with a high or low housing supply.

3. What data sources that are already publicly available and regularly updated should HUD consider using in developing a factor that identifies areas with particularly high or low housing supply or regulatory restrictions on housing construction? Should HUD consider, for example, building permits issued or housing completions, housing units relative to population or job growth, rent-to-income trends, price-to-construction cost ratios, or some other measure or measures? What sources provide this information? How should HUD incorporate the measure(s) into the inflation factor?

For the reasons stated in the answer to question 1, it is nonsensical to modify the RFIF methodology with a factor targeting areas with a high or low housing supply.

4. What methodologies exist to effectively provide comparative restrictiveness of land-use policies across jurisdictions that have in place a wide variety (both in number and scale) of housing-related policies?

For the reasons stated in the answer to question 1, it is nonsensical to modify the RFIF methodology with a factor targeting areas with a high or low housing supply.

5. Given that local rent inflation may be affected by factors not controllable by a jurisdiction, such as changes in demand, construction costs, interest rates, or utility costs, how could HUD calibrate this factor to account both for particularly high or low housing supply and, respectively, significant or limited regulatory restrictions to housing construction?

For the reasons stated in the answer to question 1, it is nonsensical to modify the RFIF methodology with a factor targeting areas with a high or low housing supply.

6. Should the methodology consider only year-over-year changes or account for multi-year periods?

For the reasons stated in the answer to question 1, it is nonsensical to modify the RFIF methodology with a factor targeting areas with a high or low housing supply.

7. If HUD were to set a cap or limit to how much the local inflation factor would be altered for areas where it is determined that supply or regulations on housing construction are impacting local inflation, what should that limit be and how should HUD incorporate it into the formula?

For the reasons stated in the answer to question 1, it is nonsensical to modify the RFIF methodology with a factor targeting areas with a high or low housing supply.

8. Given that many PHAs administer a small number of HCVs, are there other ways that HUD could target this methodological change toward areas where it may have the greatest impact while minimizing complexity, such as, for example, only applying the alternative methodology to PHAs that administer above a certain threshold of HCVs (e.g. 2,000 HCVs annually)?

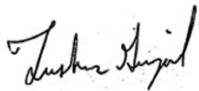
For the reasons stated in the answer to question 1, it is nonsensical to modify the RFIF methodology with a factor targeting areas with a high or low housing supply.

9. Are there other methodological, programmatic, regulatory, or statutory considerations HUD should take into account when developing this factor?

Yes, please see section II of this letter for suggestions on how to better increase the housing supply and how to structure a factor.

The National Association of Housing and Redevelopment Officials thanks the U.S Department of Housing and Urban Development for the opportunity to share these comments. If the Department has any questions or comments on these points or any other issue, please feel free to reach out to me at tgurjal@nahro.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Tushar Gurjal".

Tushar Gurjal,
Senior Policy Manager
National Association of Housing and Redevelopment Officials