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Regulations Division
Office of General Counsel
U.S. Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410-0500

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

Dear General Deputy Assistant Secretary Richardson:

The Council of Large Public Housing Authorities (CLPHA) appreciates the opportunity to comment on the methodology used to calculate the FY 2026 Renewal Funding Inflation Factors (RFIFs) and on the additional local inflation factor the Department is considering for FY 2027. CLPHA represents eighty-five of the nation's largest and most innovative public housing authorities, which owns and manages nearly half of the nation's public housing program, administers more than a quarter of the Housing Choice Voucher (HCV) program, and operate a wide array of other housing programs. They collectively serve over one million low-income households.

CLPHA writes on two matters. First, the RFIF methodology continues to produce inflation factors that fall materially below the cost growth our members actually experience, at a moment when the voucher program is already in a national shortfall posture. Second, and more urgently, CLPHA opposes the adjustment HUD is considering for FY 2027 that would discount an area's local inflation adjustment based on local land use, permitting, or other regulatory housing policies. That adjustment would reduce Housing Assistance Payment (HAP) funding for families already under lease based on decisions made by units of local government that PHAs neither control nor influence. We urge HUD to withdraw it.

Summary of Recommendations

1. HUD should not adopt a land use, permitting, or regulatory policy adjustment to the local inflation factor in FY 2027 or in any subsequent year.

2. If HUD nevertheless proceeds, any such factor should be applied only as an upward adjustment and should never reduce an area's factor below what the current methodology would produce. HUD should publish the factor in a specific, fully documented form for notice and comment, with the underlying area-level data released, at least one full funding cycle before it takes effect.

3. HUD should not target any such adjustment to PHAs administering above a voucher threshold, as suggested in Question 8. That approach would concentrate the funding reduction on the agencies serving the largest number of assisted families.

4. HUD should calculate and publish RFIFs in the year prior to their effective date so that PHAs can budget against known factors.

5. HUD should incorporate private-sector rent data and PHA-reported per unit cost (PUC) data from the Voucher Management System (VMS) into the local inflation factor, rather than relying on the year-over-year change in the two-bedroom FMR alone.

6. HUD should annually compare each area's assigned inflation factor against realized per unit cost (PUC) growth, aggregated across all PHAs operating in that FMR area and derived from validated VMS leasing and cost data, and should publish the comparison. Where the analysis shows a persistent gap between assigned factors and realized area cost growth, HUD should propose, through notice and comment, a defined threshold and corrective process for reviewing the affected areas' factors.

I. The Current Methodology Is Not Keeping Pace with the Costs PHAs Actually Incur

HUD's notice apportions an expected national PUC change of 2.337 percent across areas based on the change in each area's two-bedroom FMR from FY 2025 to FY 2026, scaled so that the voucher-weighted average of area factors equals the national factor and no area falls below a factor of one. In practice, this produces a distribution in which a large share of high-cost areas receive no inflation adjustment at all.

CLPHA reviewed the FY 2026 renewal funding inflation factors published for the HUD Metro FMR Area corresponding to each member's jurisdiction. Fifty-one members, approximately 60 percent of CLPHA's membership, are located in areas that received a 0 percent inflation factor. These are not agencies with flat costs. Our members report the opposite:

- One CLPHA member reported an approximately 80 percent increase in its average HAP payment over the last three years, received a 0 percent inflation factor, and has raised minimum rents for work-able households in response.
- Another CLPHA member received a 0 percent inflation factor despite operating at 102 percent budget utilization.
- HUD itself has estimated a shortfall of approximately $700 million in the voucher program for this calendar year and has directed PHAs to implement cost-saving measures. Members responding to those directives have paused voucher issuance, raised total tenant payments from 30 percent to 40 percent of adjusted income, and raised minimum rents.

Each of these measures either serves fewer families or shifts cost onto low-income households. They are the predictable consequence of a renewal funding formula that recognizes less cost growth than PHAs incur. The gap is not a rounding problem. It is the difference between a family retaining assistance and a family losing it.

Three features of the methodology drive the gap. First, the local factor rests entirely on the change in a single administrative estimate, the two-bedroom FMR, which is itself lagged and which HUD acknowledges is a recent-mover measure rather than a measure of the full assisted caseload. Second, the national scaling step makes the local factors zero-sum. HUD fixes the total amount of inflation to be distributed in advance, at the national PUC estimate of 2.337 percent, and then divides it among areas according to how each area's two-bedroom FMR change compares to the changes in every other area.

An area's factor therefore measures its rank among areas, not what its own costs did. An area whose costs rose rapidly can still receive a factor of 1.000, meaning no inflation adjustment, simply because its two-bedroom FMR change was smaller than the changes recorded elsewhere. Because HUD also holds every factor at a floor of 1.000, every area that falls below the line receives the same 0 percent, no matter how far apart their actual cost trajectories are. Third, the factors are published after the funding year is underway, which leaves PHAs planning against an unknown.

CLPHA has raised each of these points before, including in the October 2024 letter CLPHA and industry partners submitted to HUD on the RFIF methodology and in CLPHA's comments on the FY 2026 Fair Market Rents. We reiterate the recommendations summarized above: calculate and publish RFIFs a year in advance; incorporate private-sector rent data and VMS-reported PUC growth into the local factor; publish the underlying data and area-level calculations; and validate the factors against realized cost growth each year and publish the results.

II. CLPHA Opposes the Proposed Local Land Use and Regulatory Policy Adjustment

HUD asks whether it should refine the local inflation component of the RFIF to discount the local inflation adjustment in areas where housing supply appears constrained by land use, permitting, or development approval policies, and to mark it up where supply appears relatively unconstrained. CLPHA opposes this change. Our objections are not primarily about fairness to PHAs. They are about whether the instrument can do the work HUD wants it to do, and about who bears the cost if it cannot.

A. Renewal funding is a cost-based reimbursement for units already under lease, not a policy incentive.

Division D, Title II of the Consolidated Appropriations Act, 2026 directs the Secretary to provide renewal funding for each PHA based on validated VMS leasing and cost data for the prior calendar year, adjusted by an inflation factor. The statutory function of the inflation factor is to carry forward the cost of an existing caseload into the coming year. An adjustment that deliberately departs from measured local cost change in order to express a judgment about a jurisdiction's zoning code is not performing that function. It converts an inflation factor into a policy instrument, and it does so through a Federal Register notice rather than through rulemaking or appropriations language.

The practical consequence is that HUD would knowingly fund a PHA below the cost of the HAP contracts it is already obligated to pay. The PHA cannot respond by rezoning anything. It can respond only by terminating assistance, refusing to reissue turnover vouchers, lowering payment standards, or shifting cost to tenants.

B. The adjustment penalizes parties who do not hold the authority at issue.

Zoning ordinances, permitting timelines, subdivision requirements, impact fees, and development approval processes are set by city councils, county boards, planning commissions, and state legislatures. PHAs are not those bodies. Most PHAs have no vote, no veto, and no formal role in local land use decisions, and a number of our members are themselves the applicants who wait in the same permitting queues as private developers when they build or rehabilitate housing. The zoning authority never sees the reduction. It lands on the PHA's HAP account and, from there, on the families whose assistance that account pays for.

The mismatch is geographic as well as institutional. RFIFs are calculated at the FMR area level. A single metropolitan FMR area routinely spans dozens or hundreds of separate land use jurisdictions with sharply different regulatory postures. A central city that has legalized accessory dwelling units, eliminated parking minimums, and upzoned transit corridors could be penalized for the exclusionary zoning of the suburbs in its metropolitan area, and its voucher holders would bear the reduction. HUD funds PHAs. Cities and counties write zoning laws. They are not the same, and their boundaries rarely match. A metro-wide score would lump together every jurisdiction in the area, so a PHA in a city that has already reformed its zoning would be penalized for its neighbors' rules.

C. The harm falls on assisted families and falls hardest where rents are highest.

By construction, the discount would apply in high-cost, supply-constrained markets. Those are the markets where the gap between voucher payment standards and asking rents is already widest, where voucher success rates are already lowest, and where CLPHA members are already in or approaching shortfall. The adjustment HUD describes would discount the local inflation factor in those same markets. Reducing an area's factor below what measured local cost change would otherwise support would compound an existing funding deficit in precisely the places where a lost voucher is hardest to replace.

It also cuts against other federal policy the Department is currently implementing. HUD has spent a decade expanding Small Area FMRs and supporting mobility programs so that voucher holders can reach lower-poverty, higher-opportunity neighborhoods. Those neighborhoods are, disproportionately, in the restrictive jurisdictions this factor would penalize. A methodology that reduces per-family funding in exactly those markets makes opportunity moves less achievable, not more.

D. HUD has no data source that meets its own stated criteria.

HUD asks whether an adjustment could be designed using objective, transparent, and annually available measures. CLPHA's assessment is that no currently available measure satisfies all three conditions, and that the candidate measures HUD lists in Question 3 are each confounded in ways that would produce arbitrary results:

- Building permits and housing completions measure construction activity, which responds to interest rates, construction and materials costs, insurance costs, labor availability, land availability, and demand at least as much as to regulation. Permitting responds heavily to financing conditions. National permit authorizations fell from roughly 1.6 million units at a seasonally adjusted annual rate in late 2022 to 1.33 million by August 2025, the lowest level since May 2020, as the federal funds rate rose from near zero to above 5 percent.[1] A measure that moves with interest rates cannot distinguish a jurisdiction that permits little because it restricts multifamily housing from one that permits little because financing is unavailable.
- Housing units relative to population or job growth is an outcome measure. It captures demand shocks, in-migration, disaster displacement, and institutional or employment growth. It says nothing about the regulatory posture that produced the outcome.

- Rent-to-income ratios and price-to-construction-cost ratios are likewise outcomes, and they are the very quantities the RFIF is meant to fund. Using them to reduce the factor creates a circularity in which rising rents both trigger and are cited to justify a smaller inflation adjustment.

HUD's Question 5 acknowledges the core problem: local rent inflation is affected by demand, construction costs, interest rates, and utility costs that no jurisdiction controls. HUD has not identified a method for determining how much of an area's rent increase is attributable to local regulation rather than to demand, financing costs, or the other factors the notice acknowledges. Before proceeding, the Department should identify that method and publish it for comment. Absent such a method, the resulting factor would rest on a judgment HUD cannot document, applied to funding PHAs cannot forgo. This approach would introduce year-to-year volatility into the funding stream PHAs most need to be predictable.

E. Implementing the ROAD to Housing Act offers HUD a more direct route to housing supply.

The 21st Century ROAD to Housing Act (P.L. 119-101) became law this summer and contains the most substantial federal housing supply package in a generation, including provisions on environmental review, manufactured housing, financing, and voucher program administration. Congress addressed housing supply directly, and it did not do so by adjusting HCV renewal funding. If HUD wishes to influence local regulatory behavior, the appropriate levers are competitive grant scoring, technical assistance, planning requirements, and the supply provisions Congress just enacted, all of which reach the jurisdictions that actually make land use decisions. CLPHA would welcome the opportunity to work with the Department on those tools. Reallocating HAP renewal funding away from leased-up families is not among them.

III. Responses to HUD's Specific Questions

CLPHA responds below to selected questions posed in Section V of the notice. Our answers to Questions 2 and 3, and to Questions 6 and 8, are offered in the alternative and should not be read as support for adopting the factor.

Question 1: Should HUD discount the local inflation adjustment in supply-constrained areas, or mark it up in unconstrained areas?

No to the discount, for the reasons in Part II. If HUD determines that it must reflect supply conditions in the RFIF, it should do so only through an upward adjustment, and only after publishing the specific methodology for comment. An upward-only design avoids reducing funding below measured cost growth for families already under lease, which is the outcome CLPHA cannot accept. CLPHA notes, however, that because area factors are scaled to a fixed national factor, even an upward-only adjustment is redistributive in effect, and HUD should model and disclose the distributional consequences before adopting one.

Question 2: What type of factor could HUD incorporate?

CLPHA does not recommend any factor. If HUD proceeds, the only defensible construction would be a narrow, capped, upward-only multiplier applied to areas meeting a transparent, pre-published threshold on a small number of measures, with the threshold and the underlying values published for each area annually. HUD should not construct a continuous index that assigns every area a regulatory score, because the precision such an index implies cannot be supported by the underlying data.

Question 3: What publicly available, regularly updated data sources should HUD consider?

For the reasons set out in Part II.D, CLPHA does not believe any of the listed sources, alone or in combination, can isolate the policy-driven component of local rent inflation at the FMR area level on an annual basis. If HUD nonetheless pursues this, it should rely on direct measures of regulatory action rather than outcome measures such as rent-to-income or price-to-cost ratios, and it should publish the area-level inputs alongside the factors so that PHAs and local governments can verify and correct them. HUD should also establish a formal correction process, comparable to the FMR reevaluation process, through which a PHA or jurisdiction can contest its assigned value before the funding year begins.

Question 6: Year-over-year changes or multi-year periods?

If a factor were adopted, single-year measurement would be indefensible. Land use reforms take several years to appear in permits and considerably longer to appear in completed units and realized rents. A one-year window would capture construction-cycle noise rather than policy. Multi-year measurement, however, creates its own problem: it would penalize jurisdictions for repealed ordinances and delay any recognition of reform. This tension is a further reason not to adopt the factor rather than an argument for a particular window.

Question 8: Should HUD target the change to PHAs above a voucher threshold, such as 2,000 vouchers?

CLPHA strongly opposes this approach. A threshold of this kind would apply the reduction to the agencies administering the largest voucher programs in the largest, highest-cost metropolitan areas, which is to say to the greatest number of assisted families. Administrative simplicity for HUD would be purchased with concentrated funding loss for the households least able to absorb it. It would also create an obvious inequity between similarly situated PHAs operating in the same FMR area on opposite sides of the threshold, receiving different inflation factors for identical local conditions. If a policy is not sound enough to apply program-wide, it is not sound enough to apply to large PHAs.

Question 9: Other methodological, programmatic, regulatory, or statutory considerations.

Four considerations warrant particular attention:

- Statutory. The appropriations language ties renewal funding to validated VMS leasing and cost data adjusted by an inflation factor. HUD should analyze and publish its legal basis for incorporating a non-cost policy judgment into that factor before proposing it.
- Procedural. A change of this consequence should not be adopted through the annual RFIF notice. HUD should publish the specific methodology, with area-level values, for a full comment period, and should not implement it in the same year it is proposed.
- Programmatic. The voucher program is currently in a shortfall posture, with HUD offering shortfall technical assistance throughout 2026. Introducing a new source of downward funding variance in this environment increases the number of agencies that will need that assistance.

- Interaction effects. HUD should analyze how the factor would interact with Small Area FMRs, mobility programs, Moving to Work agencies, and project-based voucher commitments, each of which relies on stable multi-year funding assumptions.

Conclusion

CLPHA shares HUD's concern about the local regulatory barriers that constrain housing supply and drive up rents. Our members work in those markets every day and have long supported federal efforts to expand supply. But the RFIF is the wrong instrument. It reaches PHAs and voucher holders rather than the jurisdictions that set land use policy, it depends on measurement that available data cannot support, and it would reduce assistance for families already under lease in the markets where assistance is hardest to replace. CLPHA urges HUD to withdraw the proposed adjustment, and to direct its attention to the RFIF's more immediate defect: factors that are published late and that fall below the costs our members actually incur.

Thank you for considering these comments. We would welcome the opportunity to meet with the Office of Policy Development and Research and the Office of Public and Indian Housing to discuss the RFIF methodology and our members' cost data in greater detail.

Sincerely,

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