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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**
**[Docket No. FR-6147-N-01]**
**Section 8 Housing Assistance Payments Program—Fiscal Year 2019 Inflation Factors for Public Housing Agency Renewal Funding**
**AGENCY:** Office of the Assistant Secretary for Policy Development and Research, HUD.

**ACTION:** Notice.

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**SUMMARY:** This notice establishes Renewal Funding Inflation Factors (RFIFs) to adjust Fiscal Year (FY) 2019 renewal funding for the Housing Choice Voucher (HCV) program of each public housing agency (PHA), as required by the Consolidated Appropriations Act, 2019. The notice apportions the expected percent change in national Per Unit Cost (PUC) for the HCV program, 4.00 percent, to each PHA based on the change in Fair Market Rents (FMRs) for their operating area to produce the FY 2019 RFIFs. HUD's FY 2019 methodology is the same as that which was used in FY 2018.

*Applicable Date: April 17, 2019.*
**FOR FURTHER INFORMATION CONTACT:**

Contact Miguel A. Fontanez, Director, Housing Voucher Financial Division, Office of Public Housing and Voucher Programs, Office of Public and Indian Housing, telephone number 202-402-4212; or Peter B. Kahn, Director, Program Parameters and Research Division, Office of Policy Development and Research, telephone number 202-402-2409, for technical information regarding the development of the schedules for specific areas or the methods used for calculating the inflation factors. Their address is: Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410. Hearing- or speech-impaired persons may contact the Federal Relay Service at 800-877-8339 (TTY). Other than the "800" TTY number, the above-listed telephone numbers are not toll free.

**SUPPLEMENTARY INFORMATION:**
**I. Background**

Division G, Title II of the Consolidated Appropriations Act, 2019 requires that the HUD Secretary, for the

calendar year 2019 funding cycle, provide renewal funding for each public housing agency (PHA) based on validated voucher management system (VMS) 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**. This notice announces the availability of the FY 2019 inflation factors and describes the methodology for calculating them. Tables in PDF and Microsoft Excel formats showing Renewal Funding Inflation Factors (RFIFs) by HUD Fair Market Rent Area are available electronically from the HUD data information page at: <https://www.huduser.gov/portal/datasets/rfif/rfif.html>.

**II. Methodology**

RFIFs are used to adjust the allocation of HCV program funds to PHAs for local changes in rents, utility costs, and tenant incomes. To calculate the RFIFs, HUD first forecasts a national inflation factor, which is the annual change in the national average Per Unit Cost (PUC). HUD then calculates individual area inflation factors, which are based on the annual changes in the two-bedroom Fair Market Rent (FMR) for each area. Finally, HUD adjusts the individual area inflation factors to be consistent with the national inflation factor.

HUD's forecast of the national average PUC is based on forecasts of gross rent and tenant income. Each forecast is produced using historical and forecasted macroeconomic data as independent variables, where the forecasts are consistent with the Economic Assumptions of the Administration's FY 2019 Budget. The forecast of gross rent is itself 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 are applied to the FY 2019 national average two-bedroom FMR to produce a CY 2019 value. A "notional" PUC is calculated as the difference between gross rent value and 30 percent of tenant income (the standard for tenant rent contribution in the voucher program). The change between the forecasted CY 2019 notional PUC and the CY 2018 notional PUC is the expected national change in PUC, or 4.00 percent. HUD uses a notional PUC as opposed to the actual PUC to project costs that are consistent with PHAs leasing the same number and quality of units. For more information on HUD's forecast methodology, see 82 FR 26710.

In cases where the FY 2019 FMR is not based on an ad hoc rent survey, the

inflation factor for an individual geographic area is based on the annualized change in the area's FMR between FY 2018 and FY 2019. These changes in FMRs are then scaled such that the voucher-weighted average of all individual area inflation factors is equal to the national inflation factor, *i.e.*, the expected annual change in national PUC from CY 2018 to CY 2019, and such that no area has a factor less than one. For PHAs operating in multiple FMR areas, HUD calculates a voucher-weighted average inflation factor based on the count of vouchers in each FMR area administered by the PHA as captured in HUD administrative data as of December 31, 2018.

In 2018, HUD sought comment on potential alternatives to calculate renewal funding inflation factors for areas with an FMR that is based on an ad hoc rent survey (see FR-6099-N-01). In recent years, the use of surveys has resulted in large inflation factors in the first year an ad hoc survey is used in the FMR calculation, followed by much smaller inflation factors even as the underlying survey remains in effect. Commenters generally stressed the importance of including ad hoc surveys in the inflation factor calculation to ensure agencies that face higher per unit costs also receive higher funding. Therefore, HUD is continuing to use its existing methodology of incorporating ad hoc surveys in the calculation of inflation factors. HUD will also track and evaluate the impacts of very large increases in inflation factors.

**III. The Use of Inflation Factors**

HUD subsequently applies the calculated individual area inflation factors to eligible renewal funding for each PHA based on VMS leasing and cost data for the prior calendar year.

**IV. Geographic Areas and Area Definitions**

As explained above, inflation factors based on area FMR changes are produced for all FMR areas and applied to eligible renewal funding for each PHA. The tables showing the RFIFs, available electronically from the HUD data information page, list the inflation factors for each FMR area on a state-by-state basis. The inflation factors use the same OMB metropolitan area definitions, as revised by HUD, that are used in the FY 2019 FMRs. PHAs should refer to the Area Definitions Table on the following web page to make certain that they are referencing the correct inflation factors: [http://www.huduser.org/portal/datasets/rfif/FY2019/FY2019\\_RFIF\\_FMR\\_AREA\\_REPORT.pdf](http://www.huduser.org/portal/datasets/rfif/FY2019/FY2019_RFIF_FMR_AREA_REPORT.pdf). The Area Definitions

Table lists areas in alphabetical order by state, and the counties associated with each area. In the six New England states, the listings are for counties or parts of counties as defined by towns or cities.

HUD is also releasing the data in Microsoft Excel format to assist users who may wish to use these data in other calculations. The Excel file is available at <https://www.huduser.gov/portal/datasets/rfif/rfif.html>. Note that, as described earlier, the actual renewal funding inflation factor applied to agency funding will be the voucher-weighted average of the FMR area factors when the PHA operates in multiple areas.

#### **VI. Environmental Impact**

This notice involves a statutorily required establishment of a rate or cost determination which does not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Dated: April 12, 2019.

**Todd Richardson,**

*General Deputy Assistant Secretary for Policy Development and Research.*

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