



NATIONAL  
LEASED HOUSING  
ASSOCIATION

April 1, 2026

The Honorable Scott Turner  
Secretary  
U.S. Department of Housing and Urban Development  
451 7th Street SW  
Washington, DC 20410

Dear Secretary Turner,

The undersigned national real estate associations represent a broad coalition of housing providers committed to working with policymakers and the Administration to address America's housing affordability challenges. We write to provide input on HUD's 2026 Operating Cost Adjustment Factors (OCAFs) and the methodology used to calculate them, as published in the Federal Register on February 3, 2026 (91 FR 4934).

OCAFs remain one of the most consequential tools HUD uses to preserve the viability of assisted housing properties. Accurate and stable adjustments enable housing providers to sustain operations, maintain property conditions, and continue serving the millions of low- and moderate-income households who rely on affordable rental housing. When adjustments fail to reflect actual operating cost experience, the effects are felt directly by residents through deferred maintenance, reduced services, or the withdrawal of providers from assisted housing programs. Any changes to the current methodology should, therefore, be grounded in transparent analysis and informed by meaningful input from housing providers.

### **Considerations Regarding Potential Changes to the Existing Methodology**

We urge HUD to exercise caution before altering its OCAF methodology without clear, data-driven justification and robust stakeholder engagement. The current framework provides predictability on which owners, lenders, and operators rely on for budgeting, capital planning, and long-term participation in assisted programs. Changes that appear technically neutral can carry significant real-world consequences, including dampening adjustments during cost spikes, mis capturing labor market dynamics, and creating geographic inequities. Those consequences are ultimately borne by the residents that

these programs exist to serve. HUD should require demonstrated improvement, supported by data and housing provider input, before modifying any component of the methodology.

### **Energy Cost Adjustments**

HUD's current approach allows adjustments to respond meaningfully to energy price movements, which is appropriate given the volatility of energy markets and the inability of housing providers to manage sudden utility cost spikes. Shifting to a two-year averaging period would reduce the size of adjustments during periods of rapid price escalation, leaving providers to absorb costs the program was designed to address. Properties cannot defer utility payments, and any change that systematically lags real energy costs would erode operating margins and, in severe cases, threaten property viability. Changes to the energy cost time horizon should not be considered without a thorough analysis of how such changes would have performed during recent periods of volatility, including the significant price spikes experienced between 2021 and 2023. During these periods, housing providers faced immediate and substantial increases in utility costs that could not be deferred or mitigated through operational adjustments. HUD should retain the current time horizon unless analysis demonstrates that an alternative would more accurately capture real time utility cost volatility.

### **Labor Cost**

Labor costs present a more complex issue. Unlike energy costs, a two-year averaging period for labor would produce larger adjustments rather than smaller ones. While the current time horizon for calculating cost adjustment is well calibrated overall considering the importance of utility costs, HUD might consider evaluating labor costs broken down by sector rather than simply using the average across sectors. Broad labor cost indices may not accurately reflect the cost experience of multifamily housing providers or the economic circumstances of residents in assisted properties. Employees of property management firms and residents of assisted housing are not representative cross sections of the workforce as a whole, but subsets of the overall employment and household datasets do provide this information. When staffing costs rise while resident incomes stagnate, providers face operational strain that cannot easily be resolved through management adjustments alone.

HUD should evaluate labor cost measures tied to occupations directly involved in property operations and management to better reflect provider cost pressures. Direct engagement with housing providers will be essential to identifying which labor cost categories are most material to day-to-day operations.

## **Geographic Variation in Operating Costs, Including Insurance**

We support HUD's exploration of whether OCAF methodology should better account for geographic variation in operating costs, with particular urgency around insurance. Insurance has emerged as one of the most significant and rapidly escalating cost pressures facing assisted housing providers nationwide. For more than a decade, owners, operators, and developers have faced sharply rising premiums, coverage limitations, and in many markets the effective unavailability of affordable coverage. A 2025 Federal Reserve Bank of Minneapolis survey of multifamily housing providers found that property insurance premiums had doubled on average since 2021, with burdens falling hardest on affordable housing providers.<sup>1</sup>

Insurance costs may vary regionally not only due to climate factors but also in response to the regulatory and legal environment in each state. Jurisdictions with competitive insurance markets and stable legal frameworks have experienced more moderate pricing trends, while states facing elevated litigation risk, regulatory instability, or significant disaster exposure have seen carriers withdraw, leaving housing providers with sharply higher costs or limited coverage options. A methodology reliant on nationally averaged insurance cost data risks undercompensating providers in high-cost states while over adjusting in others, creating inequities that discourage participation precisely where affordable housing is most needed. We recognize that geographic adjustments introduce administrative complexity, particularly for providers operating across multiple states, and encourage HUD to weigh feasibility carefully. Because the Department asks whether it should explore this issue, we support HUD's exploration of geographic cost variation and stand ready to assist in that effort.

## **Need for Research and Member Input**

Some questions raised in this process require analysis that outside stakeholders are not positioned to conduct independently. HUD funds and maintains internal access to both the American Housing Survey and the Rental Housing Finance Survey, datasets well suited to evaluating operating cost composition and property finance but difficult for external researchers to use because confidentiality protections limit the public files. HUD is, therefore, uniquely positioned to undertake or commission the analysis necessary to inform any methodological refinements, including the use of internal data files or custom

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<sup>1</sup> Christina Spicher and Libby Starling, Federal Reserve Bank of Minneapolis, "Rising Property Insurance Costs Stress Multifamily Housing," March 4, 2025, <https://www.minneapolisfed.org/article/2025/rising-property-insurance-costs-stress-multifamily-housing>

tabulations that ensure decisions are grounded in comprehensive and reliable information.

Meaningful provider engagement will also be essential. Owners and operators have direct knowledge of how operating costs are structured, how cost changes affect property cash flow, and which refinements would improve accuracy in practice. We encourage HUD to seek direct industry input before finalizing any methodology changes, so that adjustments reflect operational realities and support continued participation in assisted housing programs. Our organizations stand ready to assist HUD by facilitating member engagement and providing operational insight to support this analysis.

### **Conclusion**

Accurate and stable OCAFs are essential to ensuring assisted housing properties can sustain operations, maintain quality, and continue serving the millions of Americans who depend on affordable rental housing. We urge HUD to proceed carefully, require clear evidence before making changes, explore geographic variation and insurance cost treatment with urgency, and ensure housing providers have a meaningful voice in decisions affecting the viability of their properties. Our organizations stand ready to work with the Department and to provide additional information or facilitate member input as HUD's analysis proceeds.

Sincerely,

Institute of Real Estate Management  
National Affordable Housing Management Association  
National Apartment Association  
National Leased Housing Association  
National Multifamily Housing Council