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Affordable Housing Alert

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HUD limits Tenant Protection Vouchers

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RAD/Section 18 Blends and other transactions may see lower rents as HUD restricts TPVs to units occupied within 12 months. HUD had previously allowed TPVs for units occupied within 24 months.



What's the impact?

- Transactions that depend on TPVs, like RAD/Section 18 Blends, may see lower rents as fewer units will qualify for TPVs.
- HUD had previously allowed TPVs for units occupied within 24 months, but now restricts TPVs to units occupied within 12 months.
- PHAs and developers holding units vacant in re-development transactions may need to reduce vacancies.

RAD/Section 18 Blend transactions and other transactions that depend on Tenant Protection Vouchers (TPVs) may become harder to underwrite as HUD changes its TPV funding policy. HUD had previously allowed TPVs on units that had been occupied within the previous 24 months. However, HUD is changing its policy to restrict TPVs only to units that had been occupied within the previous 12 months. HUD made the change in a funding notice on May 6, 2026, [PIH Notice 2026-12, "Implementation of the Federal Fiscal Year \(FFY\) 2026 Funding Provisions for the Housing Choice Voucher Program"](#) (FY 2026 HCV Funding Notice).

The change is effective immediately. The Notice explains that,

“Any Special Application Center (SAC) approval, Choice Neighborhoods Initiative (CNI) award, or eligibility event for TPVs dated after the effective date of this notice will be subject to the policy awarding TPVs for units occupied in the previous 12 months.”

There is a narrow exception for RAD/Section 18 blends. RAD transactions that have already submitted their Financing Plans can still use the prior 24-month occupancy standard for TPV eligibility.

HUD took similar steps in FY 2022. The FY 2022 HCV Funding Notice, published in May 2022, restricted TPVs to occupied units, suspending the allocation of TPVs for vacant units. When the next fiscal year’s budget restored TPV funding, HUD lifted the suspension and resumed its 24-month policy.

HUD has not yet announced a similar rationale or plan to resume its 24-month policy. It’s possible that funding concerns may have driven the policy. Although funding for the Section 8 voucher program, including TPVs, has increased year-over-year, significant cost escalations and competing funding priorities have led HUD to institute other cost-savings measures.

RAD / Section 18 Blends may see financing gaps and closing delays

TPVs are widely used in RAD/Section 18 Blend transactions. RAD/Section 18 Blends combine RAD and Section 18 authorities to boost RAD rents. RAD rent levels in public housing conversions are usually low, typically around 70–80% of the HUD-established Fair Market Rent (FMR). However, Section 18 units can generate Tenant Protection Vouchers (TPVs), which can be project-based to produce higher rents, usually the contract administrator’s payment standard, up to 110% FMR. In some circumstances, RAD/Section 18 blends allow up to 90% of a project’s units to receive TPVs and benefit from the 110% FMR rent.

However, if TPVs are only provided for units occupied within the past 12 months, fewer units may be able to reach the 110% FMR level and more units may be subject to the lower RAD rents. A lower gross potential rent can reduce the debt a project is able to support and may result in financing gaps. RAD/Section 18 projects with long-term vacancies may find themselves with a deal that no longer pencils out. RAD/Section 18 transactions may become harder to close and may experience delays.

The same is true for Section 18 transactions outside of the RAD context. Section 18 authority is also widely used on its own and TPVs can play an important role in Section 18 transactions. PHAs and project owners often rely on TPVs for relocation and re-development purposes. While the

changes in the FY 2026 HCV Funding Notice would not impact TPVs used to relocate tenants from occupied units, Section 18 transactions looking to project-base TPVs for their proposed redevelopment may no longer be eligible for the number of TPVs they have been relying on to underwrite their transaction.

At-Risk Set-Aside transactions are similarly limited

TPVs are also widely used in At-Risk Set-Aside transactions. The Appropriations Act provides that a certain amount (\$5M) of the funding appropriated for TPVs may be set-aside for certain at-risk households in low-vacancy areas (see the [At-Risk Set-Aside notice, PIH Notice 2019-01/H-2019-02](#)). This At-Risk Set-Aside makes TPVs available for certain actions under HUD's Multifamily Housing office, such as terminations, opt-outs, and prepayments. For example, the pre-payment of a HUD mortgage or termination of a HUD use agreement may trigger eligibility for TPVs under the At-Risk Set-Aside.

The FY 2026 HCV Funding Notice likewise restricts TPVs for At-Risk Set-Aside transactions, limiting TPVs to units that have been occupied in the previous 12 months. For these At-Risk Set-Aside transactions, eligibility for TPVs is determined from the date of the set-aside eligibility triggering event. Units must be occupied in the 12 months prior to the set-aside eligibility triggering event.

What to do now

Parties with TPV-dependent transactions in the pipeline should confirm whether any units have been vacant for more than 12 months, identify units at risk of losing TPV eligibility, and consider strategies to reduce vacancies. Our team can help answer questions and advise clients with RAD/Section 18 Blends, Section 18 dispositions, and At-Risk Set-Aside transactions in light of these changes—please reach out to discuss your project.

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