

## Owner Submission and Review Process for an Exception to Use an Alternative Operating Cost Factor

Owners of RAD projects experiencing extraordinary circumstances can request a one-time good-cause exception to the use of the standard Operating Cost Adjustment Factor (OCAF) through the RAD Resource Desk (RRD) under the Post-Closing page for the relevant RAD project. Requests can be submitted starting on September 30, 2025.

To navigate to the submission page, go to the RAD Property page > Transaction Pages dropdown > select Post-Closing Processing (HUD) > start a “New Request” > name the request “[Project Name] AOCF 2025” > select from the Post Closing Activity the “Exception of the OCAF as the Operating Cost Factor” checkbox. Do not select any other checkbox.

From this RRD location, Owners will respond to a series of questions and submit concise supporting documentation that will enable HUD to quickly determine if the project meets the extraordinary circumstances for a good-cause Alternative Operating Cost Factor (Alternative OCF) to be applied to the current RAD rents. For RAD PBV projects, Owners must also submit the HAP Contract Administrator’s certification (template provided on the RAD Resource Desk) acknowledging that as the Contract Administrator, they are aware that the Owner is requesting to use an Alternative OCF instead of the standard annual OCAF and, if approved, the resulting adjusted HAP Contract amount would be funded by their existing budget authority subject to the availability of funding. All RAD PBV projects that submit a request will receive an additional review by the Office of Public and Indian Housing’s (PIH) Shortfall Prevention Team to determine if the Contract Administrator has enough funds to cover the rent increase. For RAD Project-Based Rental Assistance (PBRA) contracts, increases would be funded from HUD’s PBRA appropriation and may be limited or delayed based on the availability of funding.

The Office of Recapitalization will review project-level requests for a one-time Alternative OCF. Once the Owner submits the request, the Office of Recapitalization (Recap) will determine eligibility by reviewing the responses to the series of questions and the supporting documentation. For cases where the submission is incomplete, Owners will have the opportunity to correct and/or submit additional information, within reasonable timeframes. Two outcomes will result from the eligibility review:

1. The information demonstrates good cause and the exception to use an Alternative OCF is approved.
2. The submission does not adequately demonstrate good cause and the request is denied.

If the exception request is approved, Recap will calculate an Alternative OCF based on available administrative data for operating cost increases in the project's market. Recap will provide the Owner with the resulting Alternative OCF and the resulting one-time rent adjustments for the Owner to review and either accept or decline in the RRD.

If the Owner accepts the Alternative OCF based on available administrative data, Recap will issue a formal approval letter that the Owner will provide to the Contract Administrator as part of the project's regular annual rent adjustment request package.

If the Owner believes this Alternative OCF will be insufficient to resolve the project's economic viability issues, the owner can choose to decline the Alternative OCF based on administrative data and choose to provide additional information and request that Recap complete an in-depth, project-specific analysis to determine a sufficient Alternative OCF to resolve the project's economic viability issues. The underwriting to determine the project-specific rent adjustment is estimated to take at least 6 months and could result in a rent that is lower than the Alternative OCF initially provided that was based on administrative data. Additionally, the Alternative OCF based on administrative data will no longer be available to the project.

The rent as adjusted by the Alternative OCF will set the new baseline to be adjusted annually through the remaining term of the current HAP contract, using the standard rent adjustment procedures set forth in the RAD Notice.

Please note that by accepting the Alternative OCF, the Owner is forfeiting the claim to any missed or under-calculated prior-year OCAF adjustments to the RAD rents.