September 15, 2025

Relief for RAD Projects Facing Extraordinary Costs

Public housing properties that converted under RAD receive annual rent increases based on HUD's Operating Cost Adjustment Factor (OCAF). In recent years, rising operating costs have meant that the standard OCAF has been insufficient for some RAD projects experiencing extraordinary circumstances. To help address rising operating costs and insufficient rent adjustments, owners of RAD projects may now request a one-time good-cause exception to the use of the standard OCAF when they demonstrate that cost increases are beyond their control and are causing severe financial strain. An overview of the submission and review process is available here and summarized below.

How Can Owners Apply?

Owners will be able to apply for an exception to the use of the standard OCAF starting on September 30, 2025. Requests must be submitted through the RAD Resource Desk under the **Post-Closing page** for the RAD project for which the exception is being requested. 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. Requests related to RAD Project Based Vouchers (PBV) must be submitted with a certification acknowledging that the Contract Administrator is aware that the Owner is requesting to use an alternative operating cost factor (Alternative OCF) from the Public Housing Authority (PHA) serving as the PBV Contract Administrator (See template acknowledgement letter).

Process Overview

The Office of Recapitalization will review project-level requests for a one-time Alternative OCF. If a property is found to have an extraordinary circumstance justifying an exception, HUD will issue an approval letter and offer an Alternative OCF based on available administrative data for operating cost increases in the project's market. 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 instead provide detailed information for the

Office of Recapitalization to complete an in-depth project-specific analysis, which will take at least six months to complete.

If an Alternative OCF is approved, the adjustment will take effect at the next contract anniversary date, **subject to the availability of funding**. For RAD Project Based Voucher contracts, any increase must be funded by the existing budget authority of the PHA serving as the Contract Administrator. The Office of Public & Indian Housing will confirm that the Contract Administrator has enough budget and is not in shortfall. 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 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.

RAD Office Hours

Recap will hold office hours for PHAs and their partners on the Alternative OCF on September 25th at 2 P.M. EST.

Join Exception to the Operating Cost Adjustment in RAD Conversions Via Teams

Meeting ID: 251 262 856 0367
Passcode: d7Na3iB2
Dial in by phone 202-510-9533, 53036552#

Questions?

For assistance on requesting an alternative operating cost factor after September 30, 2025, email **resourcedesk@radresource.net**.