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Affordable Housing Alert

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RAD OCAF waiver process for potential rent increase opens September 30

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New RAD guidance allows existing project owners to request rent increases above the current limited Operating Cost Adjustment Factor (OCAF) adjustments at former-public housing properties to ensure financial viability.



What's the impact?

- Owners of RAD Component I (public housing) projects may receive a one-time, good cause rent adjustment that exceeds the standard operating cost factor (OCAF) rent adjustment at properties facing extraordinary circumstances.
- Applications can be submitted online through HUD's RAD Resource Desk beginning on September 30, 2025.
- Effective date for an approved cost factor is the next HAP contract anniversary.

Some RAD project owners can now request rent increases. HUD's Multifamily Housing Office of Recapitalization (Recap) recently issued guidance allowing RAD Component I (former public housing) project owners to request rent increases through a waiver of the Operating Cost Adjustment Factor (OCAF). This new guidance could be a game-changer for some former public housing projects where low rents threaten their financial viability and are causing significant hardship. Waiver eligibility is limited to projects that have faced "extraordinary circumstances" since their conversion through RAD. The industry has been waiting for this guidance since the concept was announced in January.

Alternative OCF Rent Adjustment available for projects facing extraordinary circumstances

Typically, RAD rent increases are limited to OCAF. On January 16, 2025, RAD Supplemental Notice 4C (Notice H-2025-1 / PIH 2025-03) (Notice 4C) announced that HUD would accept waiver requests to increase rents through an Alternative Operating Cost Factor (Alternative OCF), but did not provide details on eligibility or the process for applying for the waiver. On September 15, 2025, Recap issued a RAD Blast providing clarity on the Alternative OCF process.

RAD project owners now have a path for receiving the higher rents through the waiver. The waiver is limited to a one-time rent adjustment. To be eligible, properties must have already converted through RAD Component I and must show that they faced "extraordinary circumstances." Details remain outstanding regarding the full extent of the requirements Recap plans to impose for these applications and how high the allowed adjustments will be for these properties.

Critically, this is a one-time rent adjustment. The Alternative OCF rents will set the new baseline and thereafter, the project would revert to the standard OCAF rent adjustment for the remaining initial term of the HAP Contract. Notice 4C reminds owners that after the initial contract term ends for RAD project, the rents may be adjusted in excess of OCAF (PBV contract rents will be "redetermined" (adjusted) using the regular PBV process found at 24 CFR 983.302 and PBRA contracts rents will be renewed under MAHRAA and the Section 8 Renewal Guide). Thus, the Alternative OCF helps "bridge the gap" to allow continued project viability until the project gains access to the standard PBV and PBRA rent adjustments methods.

Applications may be submitted starting September 30, 2025

The application process opens September 30, 2025. Waiver requests must be submitted through the RAD Resource Desk. Owners must answer questions and provide supporting documentation demonstrating the extraordinary circumstances justifying the exception. The RAD Blast did not specify the standard for proving extraordinary circumstances. For RAD Project-Based Voucher

(PBV) projects, owners must also submit a certification from the HAP Contract Administrator, confirming awareness of the request and the potential funding implications.

Following the receipt of the submission on the RAD Resource Desk, the Office of Recapitalization will determine eligibility. Should the submissions be deemed incomplete, owners will have the opportunity to correct and/or supplement their requests with additional information.

If a request demonstrates good cause and is approved, Recap will calculate an Alternative OCF based on the available administrative data for operating cost increases in the project's market. Recap will provide the owner with the Alternative OCF and the resulting one-time rent adjustments for the owner to accept or decline on the RAD Resource Desk.

Should the owner find the alternative operating cost adjustment factor to be insufficient, the owner can decline the adjustment and provide additional information and request an in-depth, project-specific analysis to determine sufficient Alternative OCF. This underwriting process is expected to take at least six months and has a risk of resulting in a rent that is lower than the Alternative OCF originally provided to the owner.

Before accepting an Alternative OCF, owners should note that by accepting the adjustment the owner is forfeiting any claim to missed or under-calculated prior year OCAF adjustments to RAD rents.

Funding differs for PBV and PBRA projects

A rent adjustment under an Alternative OCF is subject to the availability of funding. For RAD PBV projects, the rent increase is funded out of the existing budget authority of the PHA serving as the Contract Administrator. HUD's Office of Public & Indian Housing will confirm whether the Contract Administrator has enough budget and is not in shortfall. For RAD Project-Based Rental Assistance (PBRA) contracts, the rent increase is funded from HUD's PBRA appropriation and may be limited or delayed based on funding availability.

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