

OCAF Worksheet Instructions

These instructions are for use by Owners of projects that require an Operating Cost Adjustment Factor (OCAF) calculation (rent adjustments, “lesser of” test, etc.). Each entry of the OCAF Worksheet is explained below.

NOTE:

- All calculations should be taken out to the second decimal point (1.02) except for row R, “Increase Factor” which should be taken out to the third decimal point (1.023).
- Rounding to the nearest dollar figure can take place in Step Three when the new rents are calculated with the Increase Factor.
- If using the electronic spreadsheet, there are three worksheets, each with a separate tab at the bottom of the page.

Step One

Calculate the current Section 8 rent potential for expiring contracts. Enter information only for the Section 8 units in the project that are expiring.

A

Enter the unit type (1-BR, 2-BR, etc.) with the contract/stage number. When entering information please distinguish between similar units with different rents. For example, if there is an expiring contract with one bedroom apartments that have different rents enter 1BR-a, 1BR-b, etc. If an Owner elects to combine the contracts into a single contract and there are units of the same bedroom type in the combined contracts, they should be combined into one rent level that will set the rent at an average that yields the same adjusted rent potential. For example: $total\ rent\ for\ combined\ contracts \div total\ \# \ units = Average\ (\# \ of\ units \times rent = total\ rents)$

B

Enter the number of units that correspond to the unit type and contract/stage number.

C

Enter the current monthly Section 8 contract rent for the corresponding unit type.

D

Multiply the current Section 8 contract rent (C) by the number of units (B) to get the monthly current Section 8 rent potential for the unit type. (If using the electronic spreadsheet, these calculations will be made automatically.)

E

Add all of the sums of Column D to get the monthly expiring Section 8 contract rent potential for the contract(s)/stage(s). (If using the electronic spreadsheet, this calculation will be made automatically.)

F

Multiply the sum of the monthly expiring Section 8 contract rent potential in (E) x 12 to get the annual rent potential for the expiring contract(s). (If using the electronic spreadsheet, this calculation will be made automatically.)

Step Two

Calculating the Increase Factor adjusted by the OCAF for the Expiring Contract(s).

G

Enter the annual rent potential for those Section 8 contracts that are not being renewed if there are multiple Section 8 contracts at the property and some are not being renewed at this time.

H

Enter the annual rent potential for the non-Section 8 units in the property if the property is not 100% Section 8.

I

Add the annual Section 8 rent potential for the expiring Section 8 contract(s) (F), the total annual rent potential for non-expiring Section 8 units (G), and the total annual rent potential for non-Section 8 units in the property (H) to calculate the total annual rent potential at the property. (If using the electronic spreadsheet, this calculation will be made automatically.)

J

Divide the annual Section 8 rent potential for the expiring Section 8 contract(s) (F) by the total rent potential of the project (I) to find out what portion of the property's total annual rent potential is for the expiring Section 8 contract(s). (If using the electronic spreadsheet, this calculation will be made automatically.)

K

Enter the Debt Service, use the project's current debt service, including new debt service for loans made for capital needs and or transfers (See Chapter 15 of the Section 8 Renewal Policy Guide). The Owner must provide this information. The HUD project manager may confirm this information by reviewing the project's file. For a project that receives Interest Reduction Payments, enter the Total Annual 1% Project Debt Service.

L

Multiply the debt service (K) by the portion of the overall rent potential for the expiring Section 8 contract (J) in order to subtract the correct amount of debt service from the rent potential. (If using the electronic spreadsheet, this calculation will be made automatically.)

M

Subtract the annual expiring Section 8 share of debt service (L) from the total annual rent potential for the expiring Section 8 contract(s) (F) in order to calculate the annual expiring Section 8 rent potential attributable to operations. The rent adjustment must be for the portion of the rent that is attributable to operations, there should be no rent increase on the portion of the rent that covers the debt service since this is a static figure. (If using the electronic spreadsheet, this calculation will be made automatically.)

N

Enter the currently published OCAF for your area. If the OCAF is 2.3%, enter 1.023.

O

Multiply the annual expiring Section 8 rent potential attributable to operations (M) by the currently published OCAF for the area (N). (If using the electronic spreadsheet, this calculation will be made automatically.)

P

Add the expiring Section 8 portion of the debt service (L) to the adjusted rent attributable to operations (O) to obtain the adjusted contract rent potential. (If using the electronic spreadsheet, this calculation will be made automatically.)

Q

If applicable, compare the adjusted contract rent potential with the Market Rent Potential (from the RCS and reflected in the Renewal Request Forms). Enter the lesser of the adjusted contract rent potential or the Market Rent Potential. **NOTE:** This step may not be applicable in all cases. If no RCS was required, enter the adjusted contract rent potential.

R

Divide the adjusted contract rent potential (or market rent potential, if applicable)(Q) by the total annual rent potential for the expiring Section 8 contract(s) (F) to adjust the adjusted OCAF. Due to the fact that the OCAF was applied only to the portion of the expiring Section 8 rent potential attributable to operations, the adjustment factor that will be applied to each of the rents will be slightly less than the published OCAF. (If using the electronic spreadsheet, this calculation will be made automatically.)

Step Three

Calculate the OCAF Adjusted Rent Potential for Expiring Section 8 Contract(s).

S

Enter the unit type(s) and contract/stage number (as in A). (If using the electronic spreadsheet, these will be entered automatically.)

T

Enter the number of units (as in B). (If using the electronic spreadsheet, these will be entered automatically.)

U

Enter the current Section 8 monthly contract rents (as in C). (If using the electronic spreadsheet, these will be entered automatically.)

V

Multiply the Increase Factor (R) by the monthly contract rent (U) to obtain the OCAF adjusted rent. (If using the electronic spreadsheet, these calculations will be made automatically.)

W

Multiply the OCAF adjusted monthly rent (V) by 12 to obtain the annual adjusted rent for each unit type. (If using the electronic spreadsheet, these calculations will be made automatically.)

X

Multiply the annual OCAF adjusted rent (W) by the number of units (T) to obtain the adjusted annual rent potential for each unit type in each contract/stage. (If using the electronic spreadsheet, these calculations will be made automatically.)

Y

Add the total of the adjusted annual rent potential for each unit type in each contract/stage to calculate the total annual adjusted rent potential for the expiring contract(s). (If using the electronic spreadsheet, this calculation will be made automatically.)