

# NOW & NEXT

## Affordable Housing Alert

DECEMBER 20, 2022

### New Rural Development Transfer Pilot Program announced

By Rebecca Simon

RD announces the implementation of a pilot program for expediting Section 515 transfer applications.



#### What's the Impact

- / The "Simple Transfer Pilot Program" includes three new pathways for submitting a Section 515 transfer application.
- / The pilot program focuses on simple transfers that can be expedited through the application progress.
- / RD released a checklist of items required for each new transfer pathway.

Rural Development's Rural Housing Service (RHS) announced a new pilot program intended to improve the transfer application process for Section 515 rental housing. The "[Simple Transfer Pilot Program](#)" includes three new pathways for submitting a transfer application and sets the goal of identifying and addressing existing regulatory barriers that currently create extended processing time and high costs for transfer applicants.

The pilot program will run for two years, starting on December 9, 2022. Applicants are invited to express interest in the pilot program by reaching out to the servicing specialist in the Multifamily Housing Field Operations Division assigned to the project.

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The pilot program focuses on simple transfers that can be expedited through the application process with a reduction in requirements, such as third-party reports. Through the pilot program, the transfer process is expanded from two application options, including a full transfer application (Chapter 7) or a substitution application (Chapter 5), to include three additional pathways to transfer.

The first alternative transfer process offered through the pilot program is for simple transfers of projects in acceptable physical condition. This process requires purchasers to provide a plan for the long-term viability of the project and specifically seeks out financing plans that include no additional debt added to the project. The purchaser is not required to provide a property condition report or a new valuation of the property.

The second alternative transfer process focuses on projects needing rehabilitation. This path allows for new non-amortizing debt however does require a project condition report to show whether the project's rehabilitation needs are for major redevelopment or more simple maintenance and whether the rehabilitation needed is immediate or long-term. While no new valuation is required, a financing plan for the rehabilitation must be provided.

The third and final new pathway for transfer through the pilot program offers nonprofits and governmental agencies an option to purchase projects for properties in need of preservation and rehabilitation even if the resources are not yet available for a full redevelopment. The purchaser nonprofit or governmental agency is required to pursue a plan for redevelopment within two years of the transfer, and the rehabilitation must be funded with financing other than the existing reserves. Applicants must submit an appraisal and property condition report to apply for this transfer pathway.

RHS released a checklist of items required for each new transfer pathway. The pilot program began on December 9, 2022, and is currently open for applications. Reach out to your Nixon Peabody attorney with questions about the Simple Transfer Pilot Program and checklist and application process.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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