



# BETHEL GARDENS

Section 236, RAD conversion, project-based section 8



NFP PARTNERSHIP



HAGERSTOWN, MD



94 UNITS



FAMILY

## PROJECT OBJECTIVES:

Bethel Gardens Apartments was put in service in 1975 and formerly owned by local, Hagerstown-based not-for-profit organized Bethel Corporation (Bethel Corp). Bethel Corp was also the onsite manager of the development. Bethel Gardens is a 94-unit garden style apartment complex that received subsidy through a Rental Assistance Payment (RAP) contract that was issued in conjunction with a Section 236 mortgage. The expiration of the RAP contract was fast approaching in early 2016, and Bethel Gardens' affordability was at-risk if it was not re-capitalized through the RAD (Rental Assistance Demonstration) program prior to the RAP contract expiration. Bethel Corp did not have experience with Low Income Housing Tax Credits, and wanted to work with an experienced developer team that had the financial expertise to ensure that the RAD conversion was properly executed. Bethel Corp expressed interest in partnering with Hudson Valley Property Group to complete the re-capitalization and renovation of the property while retaining long-term involvement and management.

## HVPG SOLUTION:

Hudson Valley formed a partnership entity with Bethel Corp that acquired the building and provided an innovative solution that has: enabled the essential renovation at no out-of-pocket cost to the organization, generated proceeds that the organization can use to further its mission, and preserved affordability for hundreds of tenants without any increase in tenant paid rents through a RAD PBRA Component 2 conversion. Bethel Corp and Hudson Valley worked hand-in-hand to create a thorough scope of work tailored to the property's needs, while also improving operations through increased subsidy, PILOT extension, and investment in building systems.

## FINANCING AND SUBSIDY:

Total development costs for this preservation endeavor were \$18.5M. The project secured \$6.2M in FHA insured debt and Maryland CDA provided additional support through its Rental Housing Works Program. The development team also decoupled the Section 236 interest reduction payment to procure additional funding for the project. Residents at Bethel Gardens now receive rental subsidy through a new 20-year, Section 8 Project-Based Rental Assistance (PBRA) contract.

## RESULTS:

- Substantial \$8M renovation at no out-of-pocket cost to the organization that will improve resident quality of life and reduce future operating costs the property.
- Long-term affordability preserved utilizing the Rental Assistance Demonstration II (RAD II) program, which included the issuance of a new 20-year, Section 8 Project-Based Rental Assistance (PBRA) contract.
- Generated proceeds that Bethel Corp can use to further its mission.
- No increase in tenant paid rents and no tenants were displaced.
- Bethel Corp was heavily involved in the development of the scope of work, and continues to provide excellent management for the building and its residents.

## SCOPE OF WORK:

**Environmental:** updated lighting, Energy-Star appliances, energy-efficient boilers, burners, hot water heaters, toilets, and shower heads.

**Safety:** new security system, balcony structural reinforcement, new intercoms, and emergency pull cords.

**Building exterior and grounds:** new landscaping, benches, tables, skylights, windows, fencing, and façade restoration.

**Building interior:** Renovated lobby, laundry room and main entrance featuring automatic doors.

**Resident units:** new kitchens, bathrooms, cabinets, sinks, flooring, doors, and new paint.

