

Case Study: Beth Sholom - Parkside

Property Type:

Assisted Living

Location:

Richmond, Va.

Project Objective:

New Construction

Financing Amount:

\$13.1 million

Source of Funding:

Taxable fixed-rate notes enhanced by FHA Sec. 232 mortgage insurance using LEAN processing

"I've found Lancaster Pollard to be very cooperative and right there when we needed them on both our refinance and our new construction project. I'm not sure our campus would be where it is without them, and I recommend them highly."

Mark Finkel, CEO
Beth Sholom Lifecare
Community

Background and Challenges

Beth Sholom Lifecare Community was founded in Richmond in 1946 as the first Jewish home for the aged in Virginia. It operates a 116-bed nursing home (The Home), a 112-unit affordable housing community (The Woods), and a 60-unit assisted living facility (The Gardens). As part of its ongoing evolution, the organization was looking to expand after having recently recapitalized and renovated The Woods. Constructing more assisted living and memory care units presented an opportunity to meet the demand of a long waiting list while also redirecting traffic flow to realize an enhanced campus atmosphere.

Beth Sholom had limited equity as well as space in which to grow. With the credit markets tight and the need for enhanced leverage, FHA financing was recognized as the best option for new debt. However, the land designated for Parkside was already encumbered.

Financial Solution

As the servicer on one of the existing HUD loans, Lancaster Pollard helped negotiate a partial release of the mortgaged property. Beth Sholom was able to create a new tax parcel for Parkside adjacent to The Home. Easements for the shared use of operational infrastructure (e.g., commercial kitchen) were included to utilize existing resources as well as avoid unnecessary and costly redundancy.

During the underwriting process and while preparing the application for mortgage insurance, Lancaster Pollard realized that construction costs were considerably higher than expected based on valuation and other comparisons. The firm advocated for competitive bidding of the project, which resulted in a \$2.7 million reduction and significantly reduced the equity requirement.

Outcome

Parkside - only the second nonprofit new construction financing completed nationwide under LEAN processing - will contain 73 assisted living and memory care units. The money saved by managing costs has been reallocated for redesign of the campus, new landscaping throughout, and to facilitate future development of the community. Once the project is completed, Beth Sholom will be poised for the next step of its evolution.

Financing Progress

www.lancasterpollard.com