



**To:** Ken Reecy, Director of Multifamily Development Programs  
Florida Housing Finance Corporation

**From:** William J. Metler, Senior Credit Underwriter  
First Housing Development Corporation

**Date:** January 17, 2014

**Subject:** Northbridge Apartment Homes on Millenia Lake I and Northbridge  
Apartment Homes on Millenia Lake II  
2007 Series G-I and G-2(MMRB Phase I & II)/2002-078BS (SAIL Phase I)  
Transfer of General and Limited Partner Interest

---

At the request of Florida Housing Finance Corporation (“FHFC”), First Housing has reviewed a letter dated August 5, 2013 from NorthBridge at Millenia Partners, Ltd. (“Owner of Phase I”) and NorthBridge at Millenia Partners II, Ltd. (“Owner of Phase II”), collectively the (“Owners”) for a Transfer of General and Limited Partnership interest in each of Northbridge at Millenia Partners, Ltd. and Northbridge at Millenia Partners II, Ltd. Waterton Associates, LLC, or its affiliates, (collectively “Waterton” or the “Buyer”) is also acquiring Don Mott Associates, Inc., a Florida corporation, the owner of the land and the ground lessor of the above properties. Specifically, First Housing has been requested to determine whether Waterton has the prerequisite financial strength and experience to successfully own and operate the development.

The scope of the analysis includes the following items:

- Overview
- Request
- Revised Ownership Structure
- Proposed Management/Leasing Company
- Financial Capability of New Owner
- Contribution Agreement (Purchase Agreement)
- Status of Development Compliance
- Recommendation
- Conditions

This report shall address each of the items in turn following a brief synopsis of the transaction.

---

**FHDC**

---

**Overview**

NorthBridge at Millenia (“Phase I”) is owned by NorthBridge at Millenia Partners, Ltd. and is a 396 unit Family demographic development located at 4902 Millenia Boulevard, Orlando, Orange County, Florida 32839. The development has a recorded SAIL Land Use Restriction Agreement (“LURA”) providing for 20% of the units (80 units) at or below 50% of the Area Median Income (“AMI”) for a period of 40 years. In addition, the Development has a recorded Bond LURA providing for 20% of the units (80 units) at or below 50% of the AMI for a period of 40 years from the date of the issuance of the Bonds. The remaining units are market rate units.

NorthBridge on Millenia Lake II (“Phase II”) is owned by NorthBridge at Millenia Partners II, Ltd. and is a 211 unit Family demographic development located at the same address. The Development has a recorded Bond LURA that provides for 20% of the units (42 units) at or below 50% of the AMI, and 60% of the units (126 units inclusive of the 50% AMI requirement) are required to be leased to persons or families at or below 150% of the AMI for a period of 15 years. The remaining units are market rate units.

Both Developments were collectively refunded through one Bond Issue in 2007. The refunding consisted of \$70,000,000 in tax-exempt/taxable bonds as follows: \$48,500,000 in tax-exempt bonds (2007 Series G-1) and \$21,500,000 in taxable bonds (2007 Series G-2). An existing SAIL loan on Phase I, in the amount of \$2,000,000, was subordinated at the time of the refunding and spread such that both Phase I and II now serve as collateral for the SAIL Loan. This change provided additional security to the existing SAIL mortgage. The FHFC SAIL Loan repayment is based upon available cash flow from Phase I. Although both Developments were refunded through one Bond Issue, separate Bond and SAIL LURAs have remained intact. The Owners requested a merger of Northbridge I and II. At the June 21, 2013 FHFC Board Meeting, Florida Housing’s Board approved the merger of Phase II into Phase I conditioned upon a positive recommendation from the Credit Underwriter.

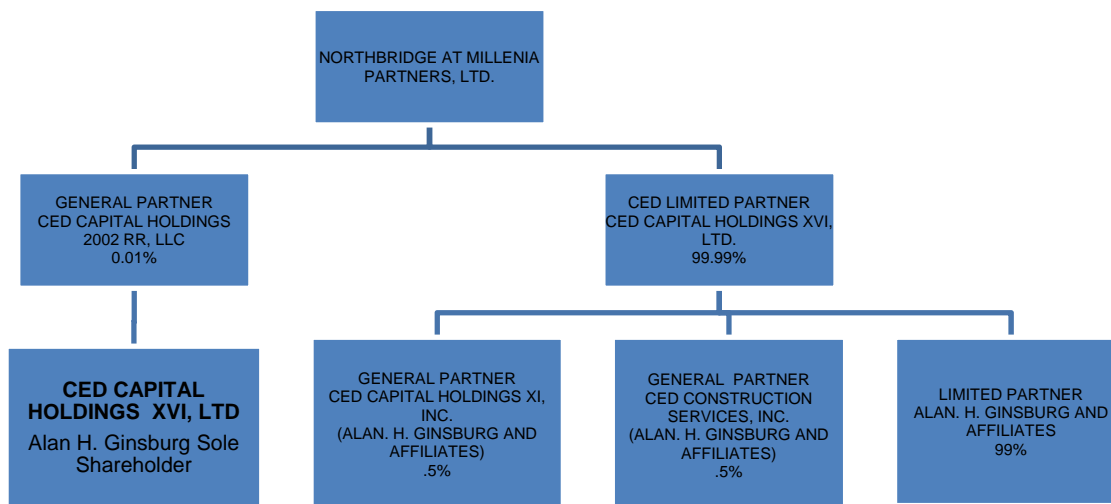
**Request:**

Northbridge at Millenia Partners, Ltd. and Northbridge at Millenia Partners II, Ltd. have requested approval of a transfer of General and Limited Partner Interest in the ownership entities of the respective Developments.

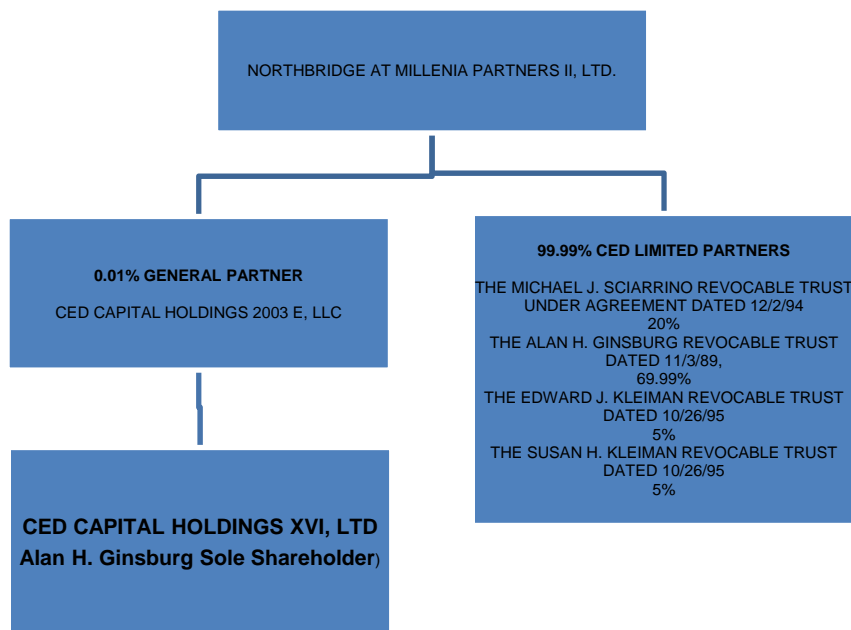
Waterton Associates, LLC., or its affiliates (collectively, Waterton) would acquire both the general and limited partner interest in each of Northbridge at Millenia Partners, Ltd., and Northbridge at Millenia Partners II, Ltd. The Buyer will also acquire Don Mott Associates, Inc. the owner of the land and the ground lessor of the above property. Upon such transfers, The Buyer will replace the current management company. It has been specifically requested that the new Owners would assume any existing guarantees in favor of FHFC thus releasing the current Guarantors.

**FHDC**

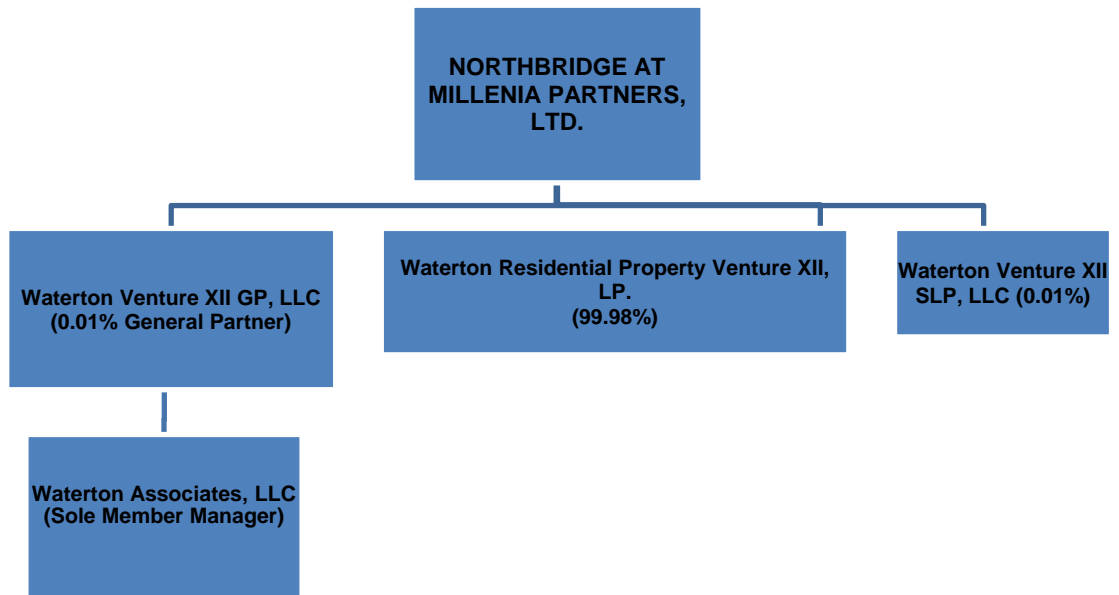
**Current Ownership Chart of Phase I as reflected in the 2007 Refunding**



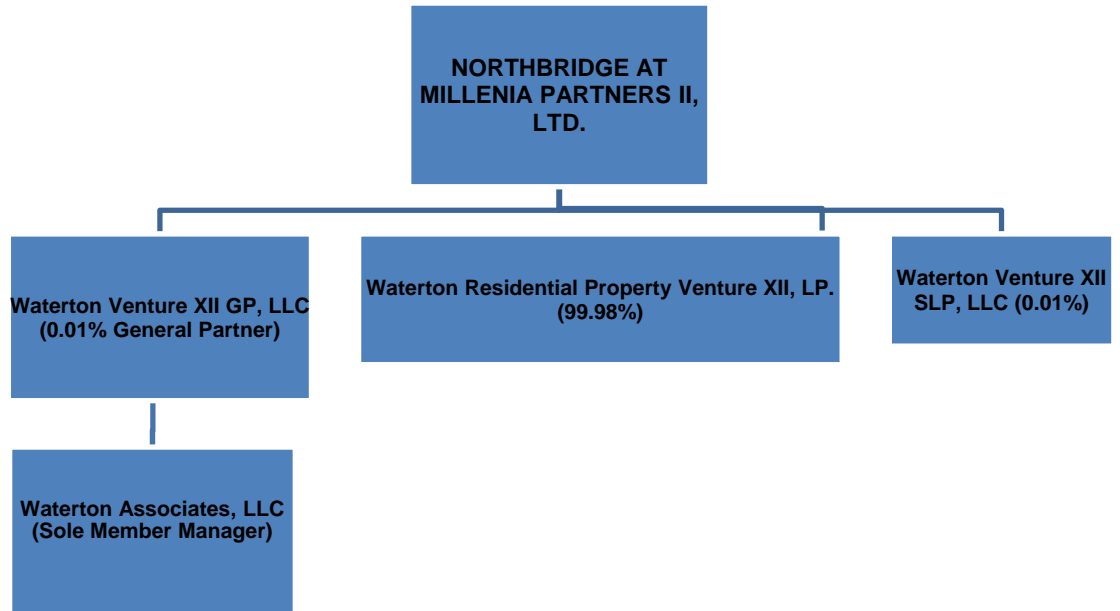
**Current Ownership Chart of Phase II as reflected in the 2007 refunding**



**Proposed Ownership Chart of Phase I:**



**Proposed Ownership Chart of Phase II:**



**FHDC**

---

The Contact person for NorthBridge Apartments will be:

Erin Ankin  
Assistant General Counsel and Assistant Vice President  
Waterton Associates, L.L.C.  
30 South Wacker Drive, Suite 3600  
Chicago, Illinois 60606  
312.476.2060  
Email: [eankin@wallc.com](mailto:eankin@wallc.com)

**Contribution Agreement (Purchase Agreement):**

First Housing was provided a Draft Contribution Agreement between CED Capital Holdings 2002 RR, LLC (“NBGP”), CED Capital Holdings XVI, Ltd. (“NBLP”), CED Capital Holdings 2003 E, LLC (“NBIIGP”), Michael J. Sciarrino as Trustee of the Michael J. Sciarrino Revocable Trust under Agreement dated 12/2/1994 (“Sciarrino Trust”), Alan H. Ginsburg, as Trustee of the Alan H. Ginsburg Revocable Trust dated 11/3/1989, as amended and restated by Agreement dated 11/20/2012, (“Ginsburg Trust”), Edward J. Kleiman, as Trustee of the Edward J. Kleiman Revocable Trust dated 10/26/1995 as amended and restated by Agreement dated 11/20/2012 (“Kleiman Trust”), Susan H. Kleiman, as Trustee for the Susan H. Kleiman revocable Trust dated 10/26/1995 as amended and restated by Agreement dated 11/20/2012 (“Susan Kleiman Trust”), CED Capital Holdings XVI, Ltd., a Florida limited partnership, not in its capacity as a Current Partner, but in its individual capacity (“Indemnitor”) and WRPV XII Northbridge Orlando, LLC an affiliate of Waterton Associates, LLC.

Sciarrino Trust, Ginsburg Trust, Edward Kleiman Trust, and Susan Kleiman Trust collectively are referred to as “NBIILP, and NBGP, NBLP, NBIIGP, and NBIILP are referred to individually as a “Current Partner” and collectively as “Current Partners”.

The Contribution Agreement will be dated upon execution and will require Waterton to:

- form Waterton Northbridge Leasehold Venture, LLC, a Delaware limited liability company (the “Venture”) with Waterton as its sole member
- Waterton will contribute to the Venture \$11,734,200 in cash at closing.

The Contribution Agreement will also require the Current Partners to:

- cause NB and NB II to merge, with NB as the surviving entity
- cause NB, as the surviving entity: (i) to convert to a Delaware limited liability company; and (ii) to change its name to Waterton Northbridge Leasehold Owner, LLC (“Owner”)
- form CED Northbridge Holdings LLC (“NB Holdings”) and contribute thereto all of their member interest in Owner.
- The Current Partners will cause NB Holdings to contribute to the Venture 100% of the membership and ownership interest in Owner in return for 10% membership and ownership interest in the Venture.

**FHDC**

---

Waterton Associates, LLC formed in 1995. The principals each have over 25 years of multifamily real estate experience and have successfully invested on behalf of institutional investors as a team for over 13 years. Waterton acquires, develops/rehabilitates, manages, procures financing for and sells multifamily real estate investments. The company has managed over \$4.8 billion in total capitalization representing more than \$1.8 billion in equity in over 145 equity and debt investments throughout the United States. Waterton's subsidiary Waterton Residential is responsible for the management of community level operations for currently over 19,000 residential units.

Waterton Residential Property Venture XI, LP ("Waterton Venture XI") is Waterton's first comingled fund which raised \$500 Million in equity in February 2011. Currently, Waterton Venture XI consists of 26 investments diversified by geography and product type consisting of 7,874 units. Waterton Venture XI's investment objective is to acquire a balanced portfolio of multifamily assets diversified by location and for which Waterton can add value through a combination of professional management, correction of deferred maintenance, physical property improvement and recapitalization. Waterton Associates, LLC is initiating its twelfth fund, Waterton Residential Property Venture XII, LP and has provided a draft Private Placement Memorandum in preparation of funding capitalizing this new fund in February of 2014. The subject properties will be placed into this new fund. It is anticipated that the February funding will create a minimum of \$100 Million in resources to build this 12<sup>th</sup> funding venture.

**Financial Capability of Guarantor**

The Buyer has provided audited financial statements for Waterton Venture XI and subsidiaries and Waterton Residential Property Venture XI (PF-1), LP and subsidiaries. A summary of the December 31, 2012 and December 31, 2011 audited statements follows:

Waterton Residential Property Venture XI, LP and Subsidiaries and Waterton Residential Property Venture XI (PF-1), LP and subsidiaries Audited Financial Statements December 31, 2012	
Cash and Equivalents	\$16,194,709
Total Assets	\$1,109,298,805
Total Liabilities	\$821,719,742
Equity	\$287,579,063

**FHDC**

---

Waterton Residential Property Venture XI, LP and Subsidiaries and Waterton Residential Property Venture XI (PF-1), LP and subsidiaries Audited Financial Statements December 31, 2011	
Cash and Equivalents	\$4,650,524
Total Assets	\$355,066,389
Total Liabilities	\$313,324,957
Equity	\$41,741,432

Waterton Venture XI appears to have the experience and financial capacity to acquire and operate the subject development. Due to the newness of the Waterton Residential Property Venture XII, LP there are no financial statements prepared at this time.

**Proposed Management/Leasing Company**

Waterton Residential was established in 1998 as a wholly owned subsidiary of Waterton Associates and provides on-site management, leasing, capital project management, and accounting services for Waterton sponsored communities and other select multifamily owners. Waterton Residential employs over 400 industry professionals with eight (8) senior executives having an average of eighteen (18) years of multifamily experience at former firms which include: Trammell Crow, Archstone Communities, JMB, Avalon Bay and Post. Headquartered in Chicago, Waterton currently operates over 19,000 units in more than 50 communities across the country.

Waterton Residential does not currently manage developments that participate in FHFC programs. Waterton Residential must successfully complete the FHFC evaluation process in order for the prospective owner to secure FHFC approval for their selection of Waterton Residential to manage the subject development.

The management contact person is:

Lisa M. Newton  
Senior Vice President, Operations  
Waterton Residential  
6404 International Parkway | Suite 1600  
Plano, TX 75093  
Office: 214.623.6088 | Fax: 214.594.0193  
lnewton@wallc.com | www.watertonresidential.com

**Economics**

November 2013 occupancy reports show the combined Developments are at a 91% occupancy level. The November 30, 2013 occupancy for Phase I was 91% and for Phase II it was 91%. The proposed merger is intended to consolidate and therefore reduce administrative expenses. All other income and expense factors should remain the same for these existing Developments.

**FHDC**

---

December 31, 2012 Audited Financial Statements were reviewed for both Phase 1 and II and both Developments were showing positive earnings before depreciation. However, the SR-1 analysis for Phase I resulted in negative available cash flow. No SAIL interest was deemed payable for 2012.

**Status of Development Compliance**

First Housing is currently the Compliance Monitoring agent for Phase I and Phase II. An Annual Management Review and a Physical Inspection were performed on both Phases on April 23<sup>rd</sup> and 24<sup>th</sup> 2013. Based upon the results of this review, the property was found to be in compliance with the Bond and SAIL Land Use Restriction Agreement's requirements. The 2013 physical inspection took place on April 24, 2013 and based upon the results of these reviews the properties were found to be in compliance with requirements of the respective LURA's.

According to the FHFC November 22, 2013 Asset Management Noncompliance Report, the development team has the following noncompliance items outstanding:

- Arrow Pointe – Failure to document eligibility upon initial occupancy (household composed entirely of non-qualifying full-time students) as of 11/19/2013 this status was unchanged.
- Heritage pointe aka Heritage Pines – Failure to meet Uniform Physical Condition Standards (UPCS) for buildings; health and safety hazard- missing fire exit sign. As of 11/14/2013 this status was unchanged.

According to the FHFC December 30, 2013, Past Due Report, the development team has the following past due items outstanding.

- Mystic Cove – Management Company failed to submit documentation for one replacement Reserve Draw totaling \$2,300 disbursed by Berkadia.

This recommendation is contingent upon satisfactory resolution of any past due and non-compliance issues.

**Recommendation**

Based upon the review of the information submitted by the principals, and within the scope of this analysis as described herein, First Housing recommends approval of the proposed merger of the Phase II ownership into Phase I ownership and the Transfer of General Partner and Limited Partner interest. First Housing also recommends a deferral of the decision to release the current guarantors at this time.

**Conditions**

The following is a summary of conditions outlined in this report:

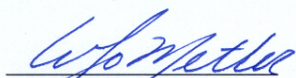


**FHDC**

---

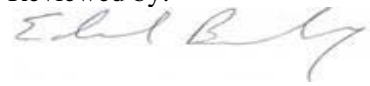
1. Principals to execute any and all applicable documents that FHFC deems necessary to effectuate the merger and the transfer of General Partner and Limited Partner interest including, but not limited to Operating Deficit, Environmental Indemnity, Guaranty of Recourse Obligations, and any other existing guarantees as FHFC deems necessary.
2. Acceptable Guarantors to be determined prior to closing subject to approval by FHFC and its Servicer.
3. The Buyer shall agree that through the regulatory period, Florida Housing and their compliance monitoring agent shall have access to the property to perform their management review and physical inspection during the remaining affordability period.
4. Payment of any outstanding arrearages to the Corporation, its legal counsel, Servicer or any agent or assignee of the Corporation for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-48.0075 (5) F.A.C., of an Applicant or a Developer).
5. Confirmation of approval of proposed Transfer of General Partner Interest and Limited Partnership Interest and proposed merger by the Bondholder.
6. Review and approval of all transfer/merger documents consistent with the terms outlined above by FHFC and its legal counsel.
7. Receipt of a non-refundable transfer and assumption fee equal to one-tenth of one percent of the SAIL Loan principal balance on the date of closing.
8. Receipt of a non-refundable transfer fee in the amount of \$2,500 for MMRB on the date of closing
9. Satisfactory resolution of any outstanding FHFC non-compliance or past due items.
10. Any other requirement of FHFC, its Servicer or legal counsel.

Prepared by:



William J. Metler  
Senior Credit Underwriter

Reviewed by:



Ed Busansky,  
Senior Vice President