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**To:** Wayne Conner, Deputy Development Officer  
Florida Housing Finance Corporation

**From:** Scott M. Eberhard  
Senior Credit Underwriter  
First Housing Development Corporation

**Date:** September 23, 2005

**Subject:** Walker Avenue Club Apartments - Multifamily Mortgage Revenue Bonds  
\$7,200,000 Series 2000L-1 Tax-Exempt Bonds and \$1,745,000 Series 2000L-2 Taxable Bonds

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At the request of the Florida Housing Finance Corporation ("FHFC"), First Housing has reviewed the request for transfer of general partner interest in the above referenced development.

The scope of the analysis includes the following items:

1. Overview
2. Purchase Contract
3. Existing and/or Proposed MMRB Program Structure
4. Proposed Ownership Structure
5. Financial Capability/Credit Worthiness of Purchaser
6. Sources and Uses of Funds
7. Economics of the Subject Property
8. Proposed Management/Leasing Company
9. Status of Project Compliance
10. Recommendation
11. Conditions

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

**Overview**

Walker Avenue Club Apartments ("Development") is located at 2650 69<sup>th</sup> Terrace, Vero

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Beach, Indian River County, Florida 32960 on approximately 28.49 acres. The Development consists of 172 units in 11 residential buildings, a clubhouse with leasing offices, meeting room, and computer lab, a swimming pool, volleyball court, picnic area and playground. There are approximately 355 parking spaces (13 of which are classified as handicapped spaces), or 2.06 spaces per unit, which exceeds the number of spaces required by Indian River County. The Development has one primary access point from Walker Avenue. Schools, shopping, employment and recreational centers are all within a short distance from the subject property.

The unit mix is as follows:

<b>Indian River</b>				
<b>Bed-rooms</b>	<b>Baths</b>	<b>No. of Units</b>	<b>Unit Size (SF)</b>	<b>Total (SF)</b>
2	2	108	847	91,476
3	2	64	1,111	71,104
<b>Totals</b>		<b>172</b>	<b>162,580</b>	<b>162,580</b>

**Purchase Contract**

SRK Partnership Holdings LLC, a Delaware limited liability company, (“Buyer”), has entered into a Purchase and Sale of General Partnership Interest Agreement (“Purchase Agreement”) dated September 13<sup>th</sup>, 2005, with Walker Avenue Club Partners, Ltd., a Florida limited partnership, (“Seller”). Pursuant to the Purchase Agreement, Buyer has agreed to purchase the Seller’s general partnership interest in the subject property. The price attributable to the general partnership interest is approximately \$582,935. The Underwriter has reviewed an Assignment and Assumption of Sale-Purchase Agreement dated September 19, 2005 whereby the Buyer has assigned the Purchase Agreement to a newly formed entity, SRK Walker Club LLC, a Delaware limited liability corporation.

**Existing and/or Proposed MMRB Program Structure**

The Development was initially financed through an issue of Florida Housing Finance Corporation tax-exempt Series 2000L-1 bonds in the amount of \$7,200,000 and taxable Series 2000L-2 bonds in the amount of \$1,745,000 for a total loan in the amount of \$8,945,000. On December 31, 2004, the outstanding balance of the bonds was \$8,828,244.

The current owner has been allocated low-income housing tax credits by the Florida Housing Finance Corporation (“FHFC”) amounting to \$5,715,240.

Credit enhancement is currently provided by the Florida Affordable Housing Guarantee Program and HUD’s Risk-Sharing Program; insuring repayment under the mortgage and Financial Security Assurance as the bond insurer.

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Because the Buyer is closing with equity and assuming the current debt, there is no anticipated change to the current financing structure or credit enhancement.

**Proposed Ownership Structure**

The current ownership entity, Walker Avenue Club, Limited (“Owner”), a Florida limited partnership, will remain in place. The limited partners of the Owner, which hold 99.99% LP interest, are Columbia Housing/ PNC Institutional Fund VII Limited Partnership, a Massachusetts limited partnership and Columbia Housing SLP Corporation, an Oregon Corporation. The limited partners will be unaffected by this transaction. The general partner of the Owner, with 0.01% GP interest, is Walker Avenue Partners Limited (“Walker”), a Florida limited partnership. Walker intends to transfer its general partnership interest to SRK Walker Club LLC (“SRK”), a Delaware limited liability corporation. Benchmark Properties Management Corporation, (“Benchmark”), a Delaware corporation, will serve as manager. The members of SRK, each with 33 1/3% ownership interests, are the Arthur and Susan Gellman L’Chaim Trust, the George I. Gellman Irrevocable Trust and the Clarke H. Narins Irrevocable Trust.

Please see the attached Exhibit 1 for a diagram of the proposed ownership structure and member interest.

The contact person for the proposed ownership is as follows:

Mr. George O. Bergantz  
The Benchmark Group  
4053 Maple Road  
Amherst, NY 14226

Telephone: (716) 833-4986  
Fax Number: (716) 833-2954

**Financial Capability/Credit Worthiness of Purchaser**

Founded in 1983, Benchmark is a family owned real estate development and management company, headquartered in Amherst, New York, with substantial experience in commercial, multi-family and retail properties. Their multi-family portfolio includes approximately 9,000 units located in 45 developments across 12 states. Their total portfolio is valued at close to \$1 Billion. As indicated by the resumes of senior management, Benchmark has ample experience in low income housing tax credit, affordable, senior and conventional housing programs. The company specializes in properties with HUD-insured mortgages and Section 8 program contracts

Benchmark has approximately 325 legal, financial, accounting, development, construction and property management professionals.

First Housing has reviewed audited 2003 and 2004 financial statements for Walker Avenue Club Limited and unaudited statements along with 2003 and 2004 tax returns for Arthur

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Gellman, Clarke Narins and George Gellman. The results are as follows:

**Walker Avenue Club, Ltd.:**

(Audited) December 31, 2004

Cash and Cash Equivalents:	\$	
Total Assets:	\$	
Total Liabilities:	\$	
Total Stockholder's Equity	\$	

(Audited) December 31, 2003

Cash and Cash Equivalents:	\$	
Total Assets:	\$	
Total Liabilities:	\$	
Total Equity:	\$	

**Arthur M. Gellman:**

6/30/2005 (Un-Audited)

Cash and Cash Equivalents:	\$	
Total Assets:	\$	
Total Liabilities:	\$	
Total Net Worth:	\$	

8/31/2004 (Un-Audited)

Cash and Cash Equivalents:	\$	
Total Assets:	\$	
Total Liabilities:	\$	
Total Net Worth:	\$	

**Clarke H. Narins:**

6/30/2005 (Un-Audited)

Cash and Cash Equivalents:	\$	
Total Assets:	\$	
Total Liabilities:	\$	
Total Net Worth:	\$	

8/31/2004 (Un-Audited)

Cash and Cash Equivalents:	\$	
Total Assets:	\$	
Total Liabilities:	\$	

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Total Net Worth: \$ [REDACTED]

**George I. Gellman:**

6/30/2005 (Un-Audited)

Cash and Cash Equivalents: \$ [REDACTED]  
 Total Assets: \$ [REDACTED]  
 Total Liabilities: \$ [REDACTED]  
 Total Net Worth: \$ [REDACTED]

8/31/2004 (Un-Audited)

Cash and Cash Equivalents: \$ [REDACTED]  
 Total Assets: \$ [REDACTED]  
 Total Liabilities: \$ [REDACTED]  
 Total Net Worth: \$ [REDACTED]

**Sources and Uses of Funds**

The Purchaser has provided First Housing with an estimate of the sources and uses of funds, which is summarized as follows:

Sources		Uses	
SRK Partnership Holdings, LLC	\$583,935	Purchase of General Partnership Interest	\$567,935
		Estimated Closing Costs	\$15,000
<b>Total</b>	<b>\$582,935</b>	<b>Total</b>	<b>\$582,935</b>

**Economics**

First Housing has reviewed a rent roll dated August 31, 2005, which indicated that 4 units or 2.3% of the complex is vacant. However, the 2005 year to date average vacancy as reported by the FHFC Occupancy Report dated 9/1/2005 is 95.9% through July 2005. August 31, 2005 year to date operating statement indicates that currently the net revenues (including misc. income) have reached \$1,004,673 or \$1,507,010 annually.

Following is an estimated pro-forma for the subject, which is based upon review of historical operating statements, information provided by the Purchaser and the Underwriter's opinion:

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Walker Avenue Operating Proforma

DESCRIPTION	2003	2004	2005 Projected	
	Annual	Annual	Annual	Per Unit
<b>Revenue</b>				
Gross Potential Rental Revenue	\$1,389,774	\$1,398,185	\$1,409,541	\$8,195
Other Income				\$0
Other	\$123,626	\$139,552	\$190,567	\$1,108
Gross Potential Income	\$1,513,400	\$1,537,737	\$1,600,108	\$9,303
Less:				
Vacancy (actual / 4%)	\$112,779	\$79,276	\$56,382	\$328
Collections and Bad Debt	\$34,095	\$39,586	\$22,796	\$133
<b>Total Effective Gross Revenue</b>	<b>\$1,366,526</b>	<b>\$1,418,875</b>	<b>\$1,520,931</b>	<b>\$8,843</b>
<b>Expenses</b>				
Fixed:				
Real Estate Taxes	\$128,437	\$126,715	\$130,517	\$759
Insurance	\$149,720	\$85,009	\$88,409	\$514
Variable:				
Management Fee	\$50,145	\$50,770	\$50,770	\$295
General and Administrative	\$28,755	\$23,225	\$24,387	\$142
Payroll Expenses	\$135,561	\$121,074	\$127,128	\$739
Utilities	\$113,295	\$113,165	\$118,824	\$691
Marketing and Advertising	\$14,106	\$13,872	\$11,885	\$69
Maintenance and Repairs	\$18,066	\$14,506	\$15,231	\$89
Replacements Reserves ( \$200 per unit)	\$34,400	\$34,400	\$34,400	\$200
Other: Contract Services	\$73,681	\$74,119	\$77,825	\$452
Other: Turnover	\$18,144	\$22,906	\$17,287	\$0
<b>Total Expenses</b>	<b>\$764,309</b>	<b>\$679,762</b>	<b>\$696,662</b>	<b>\$4,050</b>
<b>Net Operating Income</b>	<b>\$602,217</b>	<b>\$739,113</b>	<b>\$824,269</b>	<b>\$4,792</b>
<b>Total Operating Income</b>	<b>\$602,217</b>	<b>\$739,113</b>	<b>\$824,269</b>	<b>\$4,792</b>
<b>Debt Service Payments</b>				
First Mortgage Principal	\$43,167	\$46,468	50,046	\$291
First Mortgage Interest and Fees	\$634,675	\$631,374	627,796	
<b>Total Debt Service Payments</b>	<b>\$677,842</b>	<b>\$677,842</b>	<b>\$677,842</b>	<b>\$3,941</b>
<b>Operating Income After Debt Service - Before Tax</b>				
<b>Cash Flow</b>	<b>(\$75,625)</b>	<b>\$61,271</b>	<b>\$146,427</b>	<b>\$851</b>
<b>Debt Service Coverage Ratios</b>				
DSC - All Mortgages and Fees	0.888	1.090	1.216	

Based on the proposed financing structure, and considering the above noted debt service coverage, the proposed transfer of ownership is considered favorable.

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**Proposed Management Company**

Isha Francis joined Benchmark in 1984 and is the President of Benchmark Management Corporation, and is responsible for Benchmark's HUD Section 8 properties. Mr. Francis is active in numerous national associations. He has served on the Board of Directors, and is currently Treasurer, of the National Leased Housing Association. He is also active with the Southeast and Midwest chapters of the National Affordable Management Association.

Benchmark's first multi-family property was acquired in 1984. Throughout the 1980's, Benchmark continued to add project-based HUD Section 8 portfolio properties in the mid-west, primarily in Illinois, Michigan and Ohio. In 1989, Benchmark sponsored three LIHTC project acquisitions: Winton House (Cincinnati, OH), Mayfield Apartments (Mayfield, KY) and Rockwood Apartments (Rockwood, TN).

Benchmark acquired its first conventional market rate property in 1990. By 1995, Benchmark's primary focus had turned to conventional properties with HUD-insured 221(d)(4) mortgages in the southeastern United States. Acquisitions followed in Alabama, Georgia, North Carolina, South Carolina, and Florida. Since 1999, Benchmark has acquired Florida apartment properties in Davie, Viera, Naples, Lakeland, Fort Myers and Titusville. In addition, the company's growth and diversification have allowed Benchmark to embark on the development of two properties under the HUD 221(d)(4) program, partnering with developers from whom Benchmark had previously acquired properties. Benchmark completed The Palms at Wyndtree (New Port Richey, FL) in 2002 and Beechwood Commons (Athens, GA) in 2004. Benchmark does not engage in third party property management.

Benchmark's apartment portfolio now includes 45 properties and approximately 9,000 units. In this total are 16 project-based HUD Section 8 properties totaling approximately 2,300 units. Benchmark's property management group now employs a total of 250 associates in 12 states and six regional offices. Regional managers are based in Tampa Bay, Florida; Jacksonville Beach, Florida; Smyrna, Georgia; Woodstock, Georgia; Birmingham, Alabama; and Cincinnati, Ohio. Including its corporate office in Amherst, New York, which also houses its commercial real estate operations, Benchmark employs a total of 325 associates.

The proposed management contact person, as of the date of this report, is:

Ms. Shelley Ridolfi  
Benchmark Management Corp.  
14100 Walsingham Road, Suite 21  
Largo, FL 33774

Telephone: (727) 517-7125  
Fax Number: (727) 517-7134  
E-Mail: sridolfi@benchmarkgrp.com

**Status of Project Compliance**

First Housing is currently performing Compliance Monitoring for the subject

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WALKER AVENUE CLUB APARTMENTS

September 23, 2005

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development. The underwriter has reviewed an Annual Management Review that was completed on November 17, 2004. The Development was found to be in compliance. The set-aside requirements in the Land Use Restriction Agreement are that at least 50% of the total units must be occupied by households earning 60% or less of the Area Median Income ("AMI"). The set-aside requirements for the Internal Revenue Code Section 42 Housing Credits are more rigid and require that 100% of the total units must be occupied by households earning 60% or less of the AMI.

**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 the proposed transfer of the general partnership interest. Should there be a future request of refunding or re-issuance of the tax-exempt bonds, then, said property shall be subject to a full credit underwriting review and subject to all requirements of FHFC per the guidelines in effect at the time of the request. These requirements shall include, but not be limited to, items such as reserves for replacement, resizing of the bonds and an extension of the qualified project period.

**Conditions**

The following is a summary of recommended items:

- The form of the applicant and the form of the members of the applicant shall be acceptable to FHFC, its Counsel and the Underwriter in their sole discretion.
- A Guarantee of Recourse Obligations and an Environmental Indemnity will be executed by SRK Walker Club LLC, Clarke H. Narins, Arthur M. Gellman and George I. Gellman, individually, in a form satisfactory to FHFC, its Counsel and the Underwriter in their sole discretion.
- Applicant shall agree that so long as the bonds are outstanding, FHFC and their compliance monitoring agent shall have access to the property to perform their compliance audit.
- Confirmation at closing that all fees due and owing to FHFC are current.
- Determination that the subject development is in compliance with the LURA.
- Execution of an assignment and assumption agreement.
- Extension of the set-aside requirement for lower income tenants by two years in accordance with Rule 67-21.017 (4) (d), if determined applicable by FHFC and its Counsel.

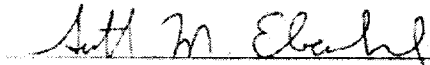


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- Verification that Benchmark Management of Florida, Inc. has been approved as a property management company by FHFC.
- Confirmation of approval of the proposed new general partner, its principals and the management company by HUD's Previous Participation Program (2530).
- Consent to the transfer of general partnership interest by the limited partners Columbia Housing/ PNC Institutional Fund VII limited partnership ("Investment Partnership") and Columbia Housing SLP Corporation ("Special Limited Partner")
- Receipt and satisfactory review of a Physical Needs Assessment for the Development at least two weeks prior to closing.

Prepared by:



Scott M. Eberhard  
Senior Credit Underwriter  
First Housing Development Corporation

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Proposed Ownership Structure  
Walker Avenue Club Apartments

