



Busted Condo
to
Successful Sec 42 ?

NH&RA
Summer 2010
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Centerline's Experience



10 deals circa 92-94 now out of y-15

- Locations: NYC and boroughs, suburban PA and NJ, FL, AC
- Sold 8... Residual Value =
 - 1 good value... 10m (300 u)
 - 1 ok..... 2 m (160 townhouse sub NJ)
 - 1 not bad.. 400,000 (80 townhouse units PA)
 - 2 no value... huge accrued loans/fees to GP
 - 3 yikes... had to restructure to give away for 1\$ NYC

The Location..Broward County FL



The Product “MUY Bonito Estates”



Muy Bonito Estates



The property

- 300 units family
- Built in 1992
- Failed condo purchased at foreclosure auction
- PIS 1994 9% Credits
- Original Equity: \$18.4
- Appraised Value in 2010 = \$16,400,000
- LP Value at sale = \$10,040,000

Muy Bonito Estates



What Worked

- “surrounding area significantly upscale...various housing uses, none are low income”
- PUD continued to build out according to Plan
- Little original competition, little competition 15 yrs later
- Rents at max TC
- Mkt occupancy yrs 1-15 apx. 97% now 93%

What did not work



Muy Bonito Estates

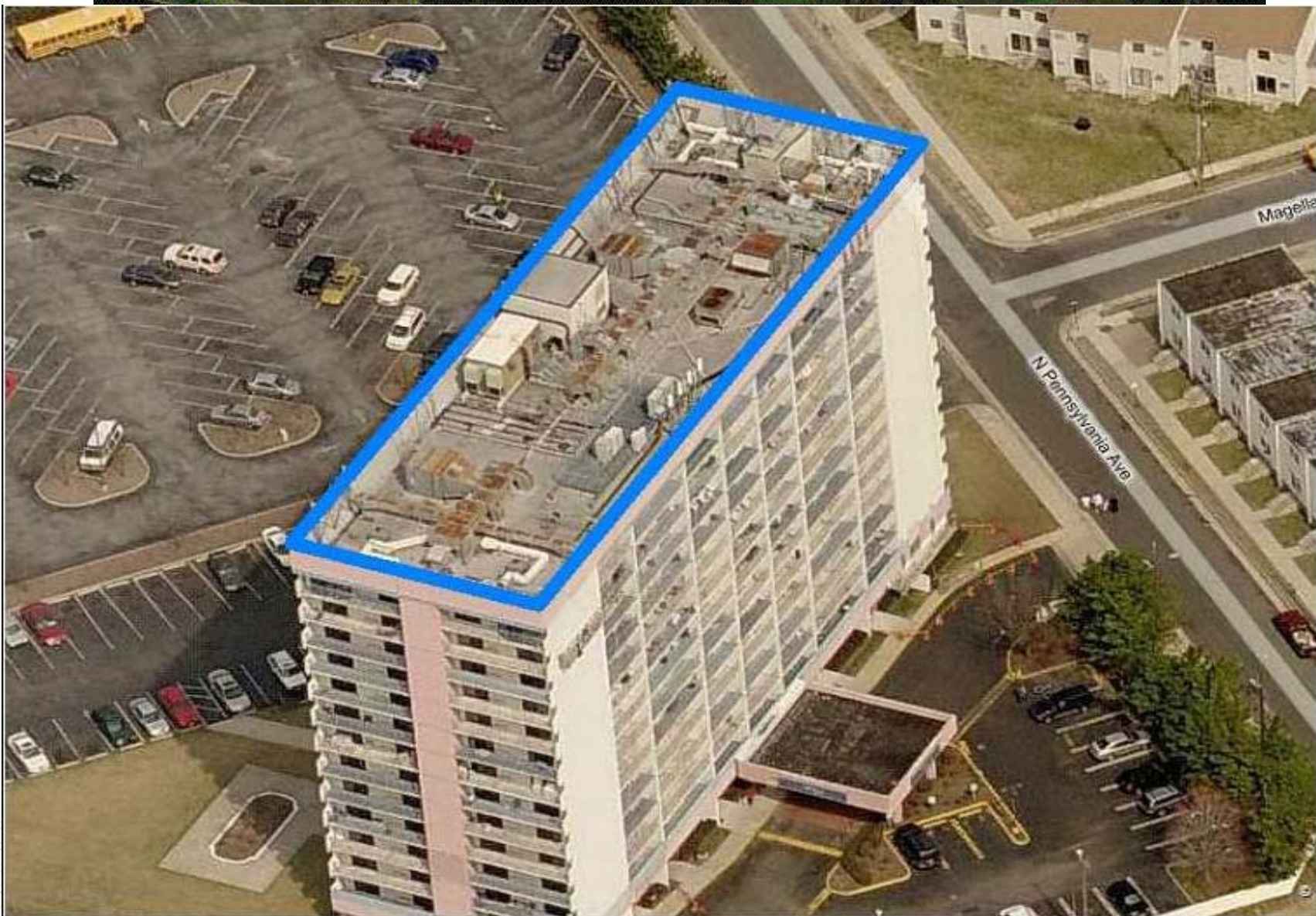


What did not work

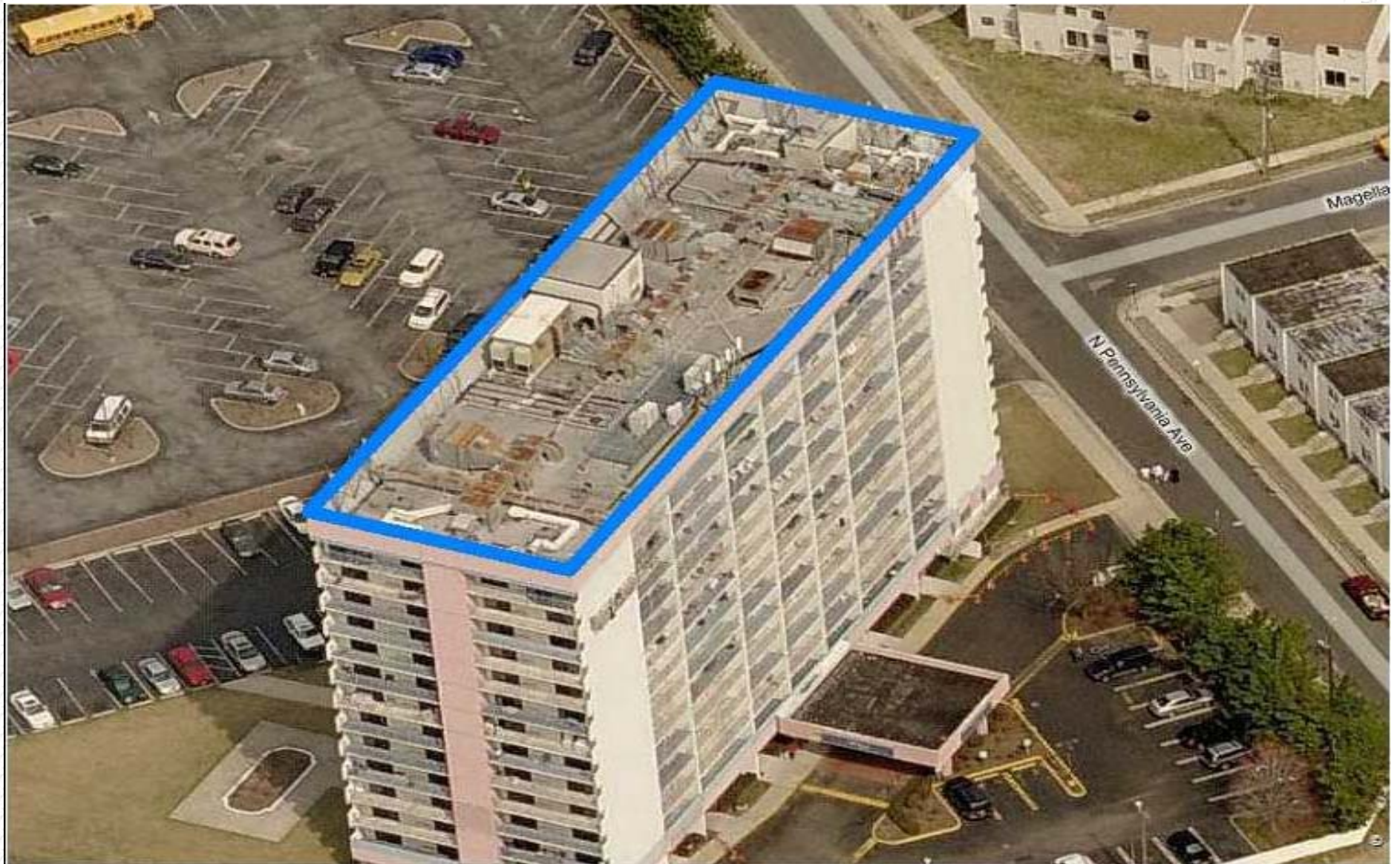
operating expenses high \$5,590/unit..UW @ 2,978/unit

- Large site heavy landscape costs
- Huge community room.. Too expensive to maintain
- Cap x needs on base bldg elements Roofs, HVAC, Elec.

The Location..Atlantic City



The Product “HY Hopes”



“HY Hopes”



The property

- 221 units Studio and 1 br
- 158 + 6 commercial owned by our Partnership
- Built in 1986
- Failed condo UNITS purchased at foreclosure auction
- PIS 1994 9% Credits on 107 units
- Original Appraised value: \$900,000
- Appraised BOV in 2010 = \$1.1 m liabilities = 7.0 m
- LP Value at sale = 0

Condo Conversion..Lessons learned



Location .. Still key

- neighborhoods did not change radically
- no amount of public subsidy erases blight
- troubled politics beget troubled properties

Control/ownership of all units is critical

- non-professional landlords = bad neighbors
- non-professional landlords = competition
- difficulty getting improvement assessments approved
- You must pay others assessments

Condo Conversion..Lessons learned



Condo construction is by Merchant builders

- not up to LIHTC standards
- Not built for Long term ownership
- Problem areas are : skin, roofs, elevators HVAC

Common areas... Amenity or blight

- huge pools, community rooms, grounds = high operating costs
- Retail = vacancy, high operating costs, do not proforma rents
- The Future
- No significant value increases.