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Top Dealmakers of the Year 2015

The Daily Business Review recognizes the people who made the biggest and most complex deals of 2014.

MULTIFAMILY Finalists

Brokers Identify 13 Complexes for \$81 Million Apartment Deal

Evan P. Kristol and Still Hunter III, Marcus & Millichap Real Estate Investment Services Inc.

When Tzadik Acquisitions LLC sought to aggressively expand its portfolio in Florida, the company brought in Evan P. Kristol and Still Hunter III to spearhead its expansion across the state. The Marcus & Millichap team meticulously identified 13 locations with a combined 2,199 apartment units in Duval, Hillsborough, Lake, Orange, Polk and Sarasota counties.

Having previously worked with Tzadik and the seller, Avesta Communities, Kristol brought both parties together for the \$81 million deal, which closed last October.

"I had sold Tzadik's manager Adam Hendry 140 units in New Port Richey," Kristol said. "He wanted to expand his management company and expand his reach throughout Florida. This transaction did both in one shot. It was a perfect situation for him."

To navigate the regulatory nuances, zoning analyses and compliance requirements from each local government, Tzadik retained **Pathman Lewis**. The law firm also worked out a complex multimillion-dollar financing deal, arranging \$69.3 million in commercial mortgage-backed securities and financing for Tzadik, which put up \$11 million in equity.

Tzadik's legal team convinced lender JPMorgan Chase & Co. that the Miami company's strength and track record of managing more than \$300 million worth of apartments and luxury condos, while expanding its development arm to create upscale residential projects, was a solid bet.

"The main thing is until the closing took place, the lender had not committed to giving us the exact loan amount and the amount on the mezzanine loan," Pathman Lewis partner Harold Lewis said. Other attorneys at the firm who worked on the deal were Wayne Pathman, Richard Schermer, Louis Archambault and Salome Bascunan.

About 45 days before closing, the deal hit a snag when occupancy dropped at some of the properties and Avesta employees, concerned they would lose their jobs, quit for other employment offers.

"That put a risk on the deal from the lenders' perspective because when the occupancy numbers

start going backward, the debt coverage ratio can become an issue," Kristol said.

Kristol and Hunter convinced their client the loss of employees and drop in occupancy was a temporary issue that Tzadik could swiftly resolve once it took over management of the properties.

Then the financial markets almost sent the deal into a tailspin on closing day. Tzadik's negotiators were working out pricing for the CMBS financing—a loan structure with interest rates closely tied to market performance—when the Dow swung wildly, plunging 460 points before eventually rallying to end at a 173-point loss.

"Ultimately, the deal worked out for everybody involved," Kristol said. "Occupancy is back up, the buyer is kicking butt and reaping the rewards of rising rents."