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Local firm snaps up 91 area Pizza Huts

BY ALEXIS MUELLNER
AND ANJALI FLUKER

A local firm quietly bought all 91 Orlando-area Pizza Hut restaurants for \$35 million from Pizza Hut parent company Yum! Brands Inc. on Dec. 7 — and now plans to serve up a big slice of business to Central Florida vendors.

Orlando-based CFL Pizza LLC was formed in early 2009 to make the transaction, and now is responsible for the restaurants' 1,750 employees.

CFL Pizza CEO Andy Rosen, whose investors in-



JIM CARCHIDI

Michael Katz, general manager of the Pizza Hut in Ocoee, which CFL Pizza bought

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Proposed bill to fuel bulk condo sales

BY ANJALI FLUKER

A proposed new state law would make it easier for investors to buy condos in bulk, possibly fueling more deals in the wake of a nationwide residential real estate sales slump.

As things stand now, many potential buyers walk away from a bulk condo purchase after finding out the liabilities they would assume.

The problem: Florida law says owners of seven or more units in a single



Burke

condo complex assume the responsibilities of the developers — meaning condo associations and other owners can make them party to lawsuits involving defects and issues with common areas, said Marcus Burke, broker/owner of real estate firm Condo Metropolis LLC.

However, House Bill 327/

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JIM CARCHIDI

Rollins College's Jeff Eisenbarth, at the soon-to-be-renovated Rollins Hall student residence

Rollins College issuing \$60M in bonds

BY MELANIE STAWICKI AZAM

Rollins College wants to issue about \$60 million in bonds to refinance \$52 million in existing debt and fund \$3.5 million in renovations at two of its residence halls.

Driving the Winter Park college's plans are 40-year lows in the long-term, fixed-rate bond market, said Jeff Eisenbarth, the college's vice president and treasurer. "We're trying to take advantage of that."

Interest rates right now are 5 percent-5.5 percent on fixed-

'We're seeing 40-year lows in the long-term, fixed-bond market, so we're trying to take advantage of that.'

Jeff Eisenbarth,

vice president and treasurer, Rollins College

rate bonds, which analysts expect to rise over time as the economy recovers. The college wants to convert its existing variable-rate bonds into new 30-year, fixed-rate bonds to lock

in at the low rates, potentially saving the school a significant amount of money.

Rollins underwriter Kansas City, Mo.-based George K. Baum & Co. said it's seeing colleges and universities nationwide take similar actions to lock in at the lower rates.

Lee White, an executive vice president with the firm's Denver office, has done similar deals in converting variable-rate bonds to fixed rates for both public and private insti-

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Bill would ease liability for owners of multiple units, legislator says

CONDOS

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Senate Bill 840 would exclude residential condo bulk buyers from that liability, said HB 327 bill sponsor Rep. Julio Robaina, R-Miami. "This lets them be investors and buy however many they want. This not only jump-starts the condo market, but the real estate market in Florida."



Dobrev

That also could help jump-start the sale of some of the Orlando area's struggling fractured condo complexes, typically apartments that were converted to condos but then sold just a few units before reverting back to rentals, said Alex Dobrev, partner with law firm Lowndes, Drosdick, Doster, Kantor & Reed PA in Orlando.

Firms that may want to buy fractured condos in bulk to run them as apartments often don't want to inherit the developer's liabilities, Dobrev said. "A lot of investors are interested at the price points that are available. This [bill] will make it less risky for people to get into those deals."

Adding more residential condo owners who pay association fees also would help the wallets of existing owners who have been footing the bill for fees owed by distressed units, said SB 840 bill sponsor Sen. Eleanor Sobel, D-Hollywood.



JIM CARCHIDI

Brothers Robert (left) and Gerald Smith of Smith Equities brokered one of the largest local bulk condo sales in 2009.

Gerald Smith, senior investment adviser for multifamily-focused brokerage firm Smith Equities Real Estate Investment Advisors, also favors the proposed legislation, which would clarify the existing law. "Association laws are complex and there's some conflict as far as interpretation. From the standpoint of cleaning up what's cloudy right now, we need that [proposed legislation] to make it a stable market."

Most bulk condo sales in Orlando in 2009 were through fractured condo foreclosure sales to entities seeking to rent out the unsold units until the market recovers. The largest last year was Toronto, Ontario-based Mil-

lennial Capital Co. LLC's purchase of three foreclosed condo conversion properties in southwest Orlando for \$37.6 million, or \$58,750 per unit. Developer New York-based RAK Acquisition Corp. owed \$94.5 million when lender Hypo Real Estate Capital Corp. foreclosed on the properties in March 2008. Smith and brother Robert Smith, president and CEO, represented the lender in that deal.

The Orlando area has seen mixed results in condo sales. There were 651 new condos and condo conversion units sold in 2009 in Orange, Osceola and Seminole counties, compared with 982 in 2008, said Maitland-based research

House Bill 327/ Senate Bill 840

Sponsors: Rep. Julio Robaina, Sen. Eleanor Sobel

Title: Community Associations

Summary: Excludes bulk buyers from developer's liability in a condo project; provides that the assignment of developer rights to a bulk buyer doesn't release the developer from certain liabilities

Status: In committee

firm Charles Wayne Consulting Inc. There were fewer new condo sales in 2009 because many condo projects failed and reverted to rentals, said firm President James Lewis.

The Orlando Regional Realtor Association said 3,906 existing condos sold between January and November 2009, more than three times the 1,299 units sold in the same period a year prior. Of the 16,002 homes listed for sale in the Orlando multiple listing service in November 2009, about 2,865 of those

are condos, making up 17.9 percent of the area's inventory, the association said.

Although the legislation would remove one impediment facing potential bulk condo buyers, it doesn't resolve the issue of where the financing will come from, Burke said.

Since condo prices plummeted when the market crashed in 2007 and foreclosures soared, there aren't many lenders willing to finance unit sales. Florida Realtors reported a median condo price of \$55,000 in November, a nearly 28 percent drop from November 2008's \$76,100. "It will still have to be a cash deal," said Burke.

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\$35M deal could deliver business to variety of Central Florida vendors

PIZZA HUT

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clude the Syosset, N.Y., private equity firm Northwood Ventures, said one of the first pieces of business up for grabs is the firm's \$2 million to \$2.5 million ad budget.

CFL Pizza also is looking for vendors for everything from a real estate development consultant to an IT firm. "We're going to put a local spin in terms of using local vendors," said Rosen.

In addition, Rosen is seeking new office space, as he plans to move the Pizza Hut operations out of the 8,000-square-

foot Yum! Brands (NYSE: YUM) office on Lee Vista Boulevard near Orlando International Airport.

CFL Pizza's real estate agent Chris Sproles, first vice president of office properties for CB Richard Ellis in Orlando, said Rosen wants to move into a new 2,500- to 3,000-square-foot office within a month, which limits the possibilities. "You don't have time for build-out, so you have to take space already in a layout conducive to your operations."

The Pizza Hut deal took nearly a year to coordinate, due in part to the complexity of the real estate involved with 25 of the restaurants fee properties and 68 leases.

As part of the deal, Rosen said he's

required to establish seven new delivery/carry-out Central Florida locations in the next five years — including two by the end of this year. He has yet to start negotiations with landlords on those, but is seeking new or existing retail spaces. Additionally, he must do significant renovations or demolish/rebuild 25 existing locations within the next 10 years, which could include closing underperforming restaurants and reopening new ones elsewhere. That would take a minimum investment of \$200,000 to \$300,000 per location, he said.

Rosen, a veteran of the quick-service food industry, worked for Pizza Hut in several roles for 20 years, starting as

a finance manager in 1989 when the brand was based in Wichita, Kan.

Early last year, Rosen was approached and jumped at the chance to buy the Orlando stores. Pizza Hut has been re-franchising many stores nationwide, he said. "Part of my motivation to pursue this was the opportunity to come back home and quit traveling."

The deal was financed with a \$20.15 million mortgage from Regions Bank's Tampa office. The west Central Florida operation also may handle retail banking for the company, Rosen said.

And now that the deal is done, Rosen said the plan is to "run with what we've got and then look to grow."

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Higher education institutions nationwide are refinancing, says underwriter

ROLLINS

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tutions, including the Colorado School of Mines, Georgia State University and Suffolk University in Massachusetts.

The long-term, fixed rates are at the lowest point in decades because the Federal Reserve took short-term rates down near zero to encourage consumers and businesses to borrow and spend to boost the economy. Bonds for highly rated institutions such as Rollins are seen as safe investments in this market, White said, and "there's a high demand for safe assets."

Rollins College has \$91 million in to-

tal debt, including \$52 million in variable-rate bonds. It budgets an interest rate of 5.7 percent for the total debt, which includes variable- and fixed-rate bonds, and its total debt service is about \$5 million a year. "We could be paying as much as double that if interest rates go up as they are expected to do," said Eisenbarth.

However, if the college can refinance the \$52 million — which will refund 2008, 2001 and 1999 bonds used to buy property and renovate and expand residence halls and educational facilities — then the college's \$91 million in debt all will be in fixed-rate bonds. As a result, the interest rate and annual debt service would remain relatively flat versus potentially rising sig-

nificantly if the college did nothing, Eisenbarth said.

The new fixed-rate bond issue also will include \$3.5 million to renovate two residence halls this summer — \$1 million for Rollins Hall and \$2.5 million for Rex Beach. The two buildings will get new windows, carpeting and doors, and a sprinkler system will be installed. A contractor hasn't been chosen yet for the work, which will begin in the summer and be completed before students return in the fall.

The college still is deciding whether to issue the tax-exempt bonds through either the city of Winter Park, the Orange County Educational Facilities Authority or the state. The college expects to get the bonds, which probably will be

uninsured, in February and sell them in March, said Eisenbarth.

Mike Ryan, attorney for the Orange County Educational Facilities Authority who is with Lowndes, Drosdick, Doster, Kantor & Reed PA law firm, said Rollins has sought bonds through the authority about a half-dozen times during the past several years for refinancing and new projects.

Fixed-rate, long-term bonds with low interest rates are good for colleges, he said. "You can figure out your debt service for the next 30 years."

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