

UNITED DOMINION REALTY TRUST INC

Form 8-K

January 09, 2004

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 25, 2003

UNITED DOMINION REALTY TRUST, INC.

(Exact Name of Registrant as Specified in Charter)

Maryland	1-10524	54-0857512
<hr/>	<hr/>	<hr/>
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (720) 283-6120

TABLE OF CONTENTS

Item 5. Other Events.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

SIGNATURES

Report of Independent Auditors

Combined Statements of Revenue and Certain Expenses

Notes to Combined Statements of Revenue and Certain Expenses

Statements of Revenue and Certain Expenses

Notes to Statements of Revenue and Certain Expenses

EX-23.1 Consent of Ernst & Young LLP

Table of Contents

Item 5. Other Events.

On November 25, 2003, United Dominion Realty Trust, Inc. (the Company), through its subsidiary, United Dominion Realty, L.P., a Virginia limited partnership, completed a transaction to acquire Carriage Homes at Wyndam, an apartment community in Glen Allen, Virginia, for a total purchase price of \$31.6 million. Individually, this transaction was not a significant acquisition at the time of the transaction or at the date of this filing under the rules governing the reporting of transactions on Form 8-K. However, during the 2003 fiscal year, the Company acquired properties in a series of separate, unrelated transactions, including the transaction described above, which transactions in the aggregate were significant pursuant to Rule 3-14 of Regulation S-X. Accordingly, the Company is hereby filing certain financial information indicated under Rule 3-14 and Article 11 of Regulation S-X relating to these transactions and certain individually insignificant properties acquired during 2003.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Real Estate Operations Acquired.

Harbor Greens Apartments, Pinebrook Village Apartments, Huntington Vista Apartments, Windjammer Apartments:

Report of Independent Auditors

Combined Statements of Revenue and Certain Expenses for the year ended December 31, 2002 (audited) and for the three months ended March 31, 2003 (unaudited)

Inlet Bay at Gateway Apartments:

Report of Independent Auditors

Combined Statements of Revenue and Certain Expenses for the year ended December 31, 2002 (audited) and for the six months ended June 30, 2003 (unaudited)

(b) Pro Forma Financial Information.

Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2003 (unaudited)

Table of Contents

Pro Forma Condensed Consolidated Statements of Operations for the nine months ended September 30, 2003 (unaudited) and for the year ended December 31, 2002 (unaudited)

(c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
23.1	Consent of Ernst & Young LLP 3

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

UNITED DOMINION REALTY
TRUST, INC

By: /s/ Christopher D. Genry

Christopher D. Genry
Executive Vice President
and Chief
Financial Officer

Date: January 9, 2004

Table of Contents

Report of Independent Auditors

The Board of Directors
United Dominion Realty Trust, Inc.

We have audited the accompanying combined statement of revenue and certain expenses of the Harbor Greens Apartments, Pinebrook Village Apartments, Huntington Vista Apartments, and Windjammer Apartments (the Communities) for the year ended December 31, 2002. This combined statement is the responsibility of the management of the Communities. Our responsibility is to express an opinion on this combined statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in a Current Report on Form 8-K of United Dominion Realty Trust, Inc., as described in Note 1, and is not intended to be a complete presentation of the Communities' revenue and expenses.

In our opinion, the combined statement referred to above presents fairly, in all material respects, the revenue and certain expenses of the Harbor Greens Apartments, Pinebrook Village Apartments, Huntington Vista Apartments, and Windjammer Apartments for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Richmond, Virginia
May 21, 2003

Table of ContentsHarbor Greens Apartments, Pinebrook Village Apartments, Huntington
Vista Apartments, and Windjammer Apartments

Combined Statements of Revenue and Certain Expenses

	Year ended December 31, 2002	Three-month period ended March 31, 2003
	<u> </u>	<u> </u>
		<i>(Unaudited)</i>
Rental and other property income	\$ 14,127,050	\$ 3,544,433
Rental expenses:		
Personnel	989,126	260,161
Utilities	724,283	209,803
Repairs and maintenance	924,873	245,352
Administrative and marketing	388,234	81,307
Property management <i>(Note 3)</i>	546,945	176,926
Real estate taxes and insurance	970,047	259,442
Other expenses <i>(Note 3)</i>	441,576	240,273
	<u> </u>	<u> </u>
Total rental expenses	4,985,084	1,473,264
	<u> </u>	<u> </u>
Revenue in excess of certain expenses	\$ 9,141,966	\$ 2,071,169
	<u> </u>	<u> </u>

See accompanying notes.

Table of Contents

Harbor Greens Apartments, Pinebrook Village Apartments, Huntington
Vista Apartments, and Windjammer Apartments

Notes to Combined Statements of Revenue and Certain Expenses

1. Basis of Presentation

On May 2, 2003, a wholly-owned subsidiary of United Dominion Realty Trust, Inc. entered into an agreement with Midlands Company to acquire all of the assets and assumed all of the liabilities of Midlands Company, including acquiring the Harbor Greens Apartments and the Huntington Vista Apartments. Also on May 2, 2003, United Dominion Realty Limited Partnership entered into a series of agreements with the owners of Pinebrook Village Apartments and Windjammer Apartments to issue preferred limited partnership units in exchange for the contribution of the Pinebrook Village Apartments and the Windjammer Apartments. The foregoing properties are referred to collectively as the Communities.

The combined statements of revenue and certain expenses relate to the operations of the Communities and were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, including Rule 3-14 of Regulation S-X. Accordingly, the accompanying combined statements of revenue and certain expenses have been prepared using the accrual method of accounting, and certain expenses such as depreciation, amortization, income taxes, mortgage interest expense and entity expenses are not reflected in the combined statements of revenue and certain expenses, as required by Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Consequently, the combined statements of revenue and certain expenses for the periods presented are not representative of the actual operations for the periods presented, as certain revenues and expenses which may not be in the proposed future operations of the Communities have been excluded in accordance with Rule 3-14 of Regulation S-X.

The accompanying interim unaudited combined statement of revenue and certain expenses has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and was prepared on the same basis as the combined statement of revenue and certain expenses for the year ended December 31, 2002. In the opinion of management of the Communities, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for this interim period have been made. The revenue in excess of certain expenses for such interim period is not necessarily indicative of the excess of revenue over certain expenses for the full year.

Table of Contents**1. Basis of Presentation (continued)**

The Communities consist of the following properties:

Property Name	Number of Units	Location
Harbor Greens	384	Costa Mesa, CA
Pinebrook Village	200	Costa Mesa, CA
Huntington Vista	220	Huntington Beach, CA
Windjammer	264	Huntington Beach, CA

2. Summary of Significant Accounting Policies**Revenue Recognition**

The apartment homes are leased under operating leases with terms of generally one year or less. Rental income is recognized as it is earned, which is not materially different than on a straight-line basis.

Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred, while significant improvements, renovations and replacements are capitalized.

Estimates

The preparation of combined statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Table of Contents

3. Related Party Transactions

An affiliate of Beauchamp Realty performed the property management function for the Communities and charged a management fee of 3% and 5% of rental income for this service for 2002 and the three-month period ended March 31, 2003, respectively. Management fees in the amount of \$546,945 and \$176,926 were charged to the Communities during 2002 and the three-month period ended March 31, 2003, respectively. The beneficial owners of Beauchamp Realty, Inc. are also the beneficial owners of the Communities.

Effective January 8, 2003, the real property underlying the Pinebrook Village Apartments and the related ground lease were purchased from a third party by an entity owned by parties affiliated with the Communities. Following the acquisition of the real property, the annual ground lease expense increased by approximately \$400,000.

Table of Contents

Report of Independent Auditors

The Board of Directors
United Dominion Realty Trust, Inc.

We have audited the accompanying statements of revenue and certain expenses of the Inlet Bay at Gateway Apartments (the Community) for the year ended December 31, 2002. This statement is the responsibility of the management of the Community. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in a Current Report on Form 8-K of United Dominion Realty Trust, Inc., as described in Note 1, and is not intended to be a complete presentation of the Community's revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses of the Inlet Bay at Gateway Apartments for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Richmond, Virginia
November 14, 2003

Table of Contents

Inlet Bay at Gateway Apartments

Statements of Revenue and Certain Expenses

	Year ended December 31, 2002	Six-month period ended June 30, 2003
	<u> </u>	<u> </u>
		<i>(Unaudited)</i>
Rental and other property income	\$ 3,770,781	\$ 1,947,970
Rental expenses:		
Personnel	470,532	246,412
Utilities	134,660	76,038
Repairs and maintenance	387,601	227,282
Administrative and marketing	156,068	83,608
Property management	113,220	58,439
Real estate taxes and insurance	605,286	349,785
	<u> </u>	<u> </u>
Total rental expenses	1,867,367	1,041,564
	<u> </u>	<u> </u>
Revenue in excess of certain expenses	\$ 1,903,414	\$ 906,406
	<u> </u>	<u> </u>

See accompanying notes.

Table of Contents

Inlet Bay at Gateway Apartments

Notes to Statements of Revenue and Certain Expenses

1. Basis of Presentation

On June 30, 2003, United Dominion Realty Trust, Inc. entered into an agreement to purchase the Inlet Bay at Gateway Apartments (the Community) from Lend Lease Real Estate Investment, Inc.

The statements of revenue and certain expenses relate to the operations of the Community and were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, including Rule 3-14 of Regulation S-X. Accordingly, the accompanying statements of revenue and certain expenses have been prepared using the accrual method of accounting, and certain expenses such as depreciation, amortization, income taxes, mortgage interest expense and entity expenses are not reflected in the statements of revenue and certain expenses, as required by Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Consequently, the statements of revenue and certain expenses for the periods presented are not representative of the actual operations for the periods presented, as certain revenues and expenses which may not be in the proposed future operations of the Community have been excluded in accordance with Rule 3-14 of Regulation S-X.

The accompanying interim unaudited statement of revenue and certain expenses has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and was prepared on the same basis as the statement of revenue and certain expenses for the year ended December 31, 2002. In the opinion of management of the Community, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for this interim period have been made. The revenue in excess of certain expenses for such interim period is not necessarily indicative of the excess of revenue over certain expenses for the full year.

The Community consists of the following:

<u>Property Name</u>	<u>Number of Units</u>	<u>Location</u>
Inlet Bay at Gateway	464	Saint Petersburg, FL

2. Summary of Significant Accounting Policies

Revenue Recognition

The apartment homes are leased under operating leases with terms of generally one year or less. Rental income is recognized as it is earned, which is not materially different than on a straight-line basis.

Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred, while significant improvements, renovations and replacements are capitalized.

Table of Contents

Inlet Bay at Gateway Apartments

Notes to Statement of Revenue and Certain Expenses
(continued)

2. Summary of Significant Accounting Policies (continued)

Estimates

The preparation of the statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Table of Contents

Pro Forma Condensed Consolidated Balance Sheet

There are no adjustments to the following historical consolidated balance sheet as the acquisitions of Harbor Greens Apartments, Pinebrook Village Apartments, Huntington Vista Apartments, Windjammer Apartments and the Inlet Bay at Gateway Apartments were made prior to September 30, 2003 and are included in their historical amounts. The historical condensed consolidated balance sheet following reflects all assets acquired and debt and equity issued in conjunction with the transactions.

Table of Contents**UNITED DOMINION REALTY TRUST, INC.****PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET****SEPTEMBER 30, 2003****(UNAUDITED AND IN THOUSANDS)**

	HISTORICAL AMOUNTS (A)
Assets	
Real estate investments, net	\$3,317,641
Cash and cash equivalents	19,946
Deferred financing costs, net	21,370
Other assets	54,739
	<hr/>
Total assets	\$3,413,696
	<hr/>
Liabilities and Shareholders' Equity	
Secured debt	\$1,041,476
Unsecured debt	967,251
Accrued expenses and other liabilities	108,320
Distributions payable	39,950
	<hr/>
Total liabilities	2,156,997
Minority interests	88,215
Preferred stock - Series B Cumulative Redeemable	135,400
Preferred stock - Series D Cumulative Convertible Redeemable	143,350
Preferred stock - Series E Cumulative Convertible Redeemable	56,893
Common Stock	120,163
Other equity	712,678
	<hr/>
Total shareholders' equity	1,256,699
	<hr/>
Total liabilities and shareholders' equity	\$3,413,696
	<hr/>

See accompanying notes.

Table of Contents

Notes to Pro Forma Condensed Consolidated Balance Sheet

(A) Represents the condensed consolidated balance sheet of the Company as of September 30, 2003, as contained in the historical consolidated financial statements and notes thereto filed on Form 10-Q.

16

Table of Contents

Pro Forma Condensed Consolidated Statement of Operations

The accompanying unaudited Pro Forma Condensed Consolidated Statement of Operations for the nine month period ended September 30, 2003 and for the year ended December 31, 2002 of the Company is presented as if Harbor Greens Apartments, Pinebrook Village Apartments, Huntington Vista Apartments, Windjammer Apartments and the Inlet Bay at Gateway Apartments (the Properties) had been acquired on January 1, 2002.

These Pro Forma Condensed Consolidated Statements of Operations should be read in conjunction with the historical consolidated financial statements included in the Company's previous filings with the Securities and Exchange Commission.

The unaudited Pro Forma Condensed Consolidated Statement of Operations is not necessarily indicative of what the actual results of operations would have been for the nine month period ended September 30, 2003 or for the year ended December 31, 2002 assuming the above transactions had been consummated on January 1, 2002, nor do they purport to represent the future results of operations of the Company.

Table of Contents**UNITED DOMINION REALTY TRUST, INC.****PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****NINE MONTHS ENDED SEPTEMBER 30, 2003****(UNAUDITED AND IN THOUSANDS, EXCEPT PER-SHARE DATA)**

	HISTORICAL AMOUNTS (A)	PRO FORMA ADJUSTMENTS (B)	PRO FORMA AMOUNTS
Revenues			
Rental income	\$ 450,395	\$ 8,423	\$ 458,818
Non-property income	703		703
Total revenues	451,098	8,423	459,521
Expenses			
Real estate taxes and insurance	51,388	794	52,182
Personnel	46,155	700	46,855
Utilities	27,567	408	27,975
Repairs and maintenance	28,556	651	29,207
Administrative and marketing	16,772	262	17,034
Property management	12,631	309	12,940
Other operating expenses	912	202	1,114
Depreciation	118,900	3,178	122,078
Interest	88,923	1,001	89,924
General and administrative	16,133		16,133
Other expenses	3,548		3,548
Total expenses	411,485	7,505	418,990
Income before allocation to minority interests and discontinued operations	39,613	918	40,531
Minority interests of outside partnerships	(614)		(614)
Minority interests of unitholders in operating partnerships	(724)	(267)	(991)
Income from continuing operations	38,275	651	38,926
Distributions to preferred shareholders	(20,580)	(2,049)	(22,629)
Premium on preferred share repurchase	(18,350)		(18,350)
Loss from continuing operations available to common shareholders	\$ (655)	\$ (1,398)	\$ (2,053)
Loss per common shares - basic and diluted:			
Loss from continuing operations available to common shareholders	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding-basic and diluted	112,252	112,252	112,252

See accompanying notes.

Table of Contents**UNITED DOMINION REALTY TRUST****PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****TWELVE MONTHS ENDED DECEMBER 31, 2002****(UNAUDITED AND IN THOUSANDS, EXCEPT PER-SHARE DATA)**

	HISTORICAL AMOUNTS (A)	PRO FORMA ADJUSTMENTS (C)	PRO FORMA AMOUNTS
Revenues			
Rental income	\$ 594,314	\$ 17,898	\$ 612,212
Non-property income	1,806		1,806
Total revenues	596,120	17,898	614,018
Expenses			
Real estate taxes and insurance	64,495	1,575	66,070
Personnel	60,580	1,460	62,040
Utilities	34,529	859	35,388
Repairs and maintenance	37,909	1,312	39,221
Administrative and marketing	21,876	544	22,420
Property management	17,240	660	17,900
Other operating expenses	1,203	442	1,645
Depreciation	152,169	6,800	158,969
Interest	166,946	2,133	169,079
General and administrative	19,343		19,343
Other expenses	4,096		4,096
Total expenses	580,386	15,785	596,171
Income before allocation to minority interests, discontinued operations and gains on sales of land and depreciable property	15,734	2,113	17,847
Gains on sales of land and depreciable property	1,248		1,248
Income before minority interests and discontinued operations	16,982	2,113	19,095
Minority interests of outside partnerships	(1,414)		(1,414)
Minority interests of unitholders in operating partnerships	724	(365)	359
Income from continuing operations, net of minority interests	16,292	1,748	18,040
Distributions to preferred shareholders	(27,424)	(4,551)	(31,975)
Loss from continuing operations available to common shareholders	\$ (11,132)	\$ (2,803)	\$ (13,935)
Loss per common shares - basic and diluted:			
Loss from continuing operations available to common shareholders	\$ (0.10)	\$ (0.03)	\$ (0.13)
Weighted average number of common shares outstanding-basic and diluted	106,078	106,078	106,078

Table of Contents

- (A) Represents the historical consolidated statement of operations of the Company as contained in the historical consolidated financial statements included in previous filings with the Securities and Exchange Commission.
- (B) Represents the pro forma revenue and expenses for the nine months ended September 30, 2003 attributable to the Properties as if the acquisitions had occurred on January 1, 2002. Interest expense of \$1.0 million includes pro forma interest of \$0.3 million attributable to new mortgage loans payable and \$0.7 million attributable to draws under the line of credit to fund these acquisitions.
- (C) Represents the pro forma revenue and expenses for the year ended December 31, 2002 attributable to the Properties as if the acquisitions had occurred on January 1, 2002. Interest expense of \$2.1 million includes pro forma interest of \$0.7 million attributable to new mortgage loans payable and \$1.4 million attributable to draws under the line of credit to fund these acquisitions.

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP
	21