

STATE OF FLORIDA
FLORIDA HOUSING FINANCE CORPORATIONCASE NO. 2018-067VW

PINNACLE AT PEACEFIELD, LTD.

Petitioner,

v.

FLORIDA HOUSING FINANCE
CORPORATION

Respondent.

**AMENDED PETITION FOR WAIVER OF THE QUALIFIED ALLOCATION
PLAN'S REQUIREMENT FOR RETURNING HOUSING CREDIT ALLOCATIONS
AND RULE 67-48.002(96)**

Petitioner Pinnacle at Peacefield, Ltd, a Florida limited partnership ("Peacefield") submits its Amended Petition to Respondent Florida Housing Finance Corporation (the "Corporation") for a waiver of the Corporation's Qualified Allocation Plan's prohibition from returning its 2017 Housing Credit Allocation prior to the last quarter of 2019. The return of these Housing Credits is required before the Corporation may reserve an allocation of Housing Credits that Peacefield requests be immediately allocated. *See* Rule 67-48.002(96), Florida Administrative Code (the "Rules"), and Qualified Allocation Plan Section II.K.

1. Pursuant to Section 120.542, Fla. Stat. (2017) and Rules 28-104.001 through 28-104.006, F.A.C., Peacefield requests a waiver of Rule 67-48.002(96), Florida Administrative Code, and of Section II.K of the Qualified Allocation Plan ("QAP") to allow the immediate return of its 2017 Housing Credit Allocation, and an immediate allocation of new Housing Credits (2018 or later).

2. The name, address, telephone and facsimile numbers for Peacefield and its qualified representative are:

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Suite 100
Miami, FL 33156
Attn: David O. Deutch
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3. The name, address, telephone and facsimile numbers of Peacefield's attorneys are:

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4. Pursuant to RFA 2016-113, Peacefield timely submitted (on or about December 30, 2016) its application for competitive Housing Credits under the Low Income Housing Tax Credit program ("LIHTC Program" or "HC Program"). See Application Number 2017-211C.

5. Equity raised from Housing Credits will be used for the construction of 120 elderly residential units (all of which will be low-income housing tax credit units) to be known as Pinnacle at Peacefield (the "Development"). The Development will primarily serve low-income elderly tenants in the City of Hollywood and Broward County, Florida.

6. On May 5, 2017, Peacefield's application was preliminarily selected for funding by FHFC.

7. Under Rule 67-48.028(1), if an applicant cannot complete its development by the end of the year in which the preliminary allocation of Housing Credits is issued, such applicant must enter into a “carryover allocation agreement” with the Corporation by December 31 of the year in which the preliminary allocation is issued. On December 13, 2017, Peacefield and the Corporation entered into the carryover allocation agreement for the Development. The carryover allocation may (under Section 42 of the Internal Revenue Code) allow the applicant until the end of the second year following the year in which the carryover allocation is issued to place the development in service; in the instant case the Corporation mandated in the carryover allocation agreement that the development be placed in service by December 31, 2019.

8. As explained more fully below, there is uncertainty as to whether or not the Development will be able to meet the above placed in service deadline, and as such is requesting an exchange of Housing Credits in order to effectuate an extension of the placed in service deadline.

9. Since being preliminarily selected for funding, the Development has suffered unforeseen events that make it clear that the Development will not be placed in service by December 31, 2019.

10. Peacefield encountered delays pertaining to Hurricane Irma. On March 28, 2018, Peacefield submitted a request for extension of the site control requirement and 10% test requirements due to such delays, which requests were granted. The impact and subsequent recovery from Hurricane Irma delayed the commencement of certain development milestones, especially given that the landowner in the Peacefield transaction is the City of Hollywood and their Community Redevelopment Agency, respectively, and their participation as landowner as such City and Agency were attempting to address local recovery issues slowed the development process. Such development process is now moving forward but not in a manner that allows the

Development to make up for lost time, and there is no margin for error remaining in order to satisfy the December 31, 2019 placed in service deadline.

11. The Development's equity investor (Citibank N.A.) recognizes that there are sufficient headwinds in the construction markets, particularly with regard to labor shortages, that make adhering to completion deadlines very difficult. The equity investor is concerned that there is insufficient time to complete construction prior to the December 31, 2019 placed in service deadline, and has requested Peacefield to seek an extension of the placed in service date. Such extension can only be achieved pursuant to a requested exchange of 2017 housing credit allocations for subsequent credits.

12. The equity investor is concerned about the uncertainty of the credit swap if delayed until the last quarter of 2019 and is unwilling to close on the equity financing for the Development without assurance the tax credits will be available to the Development if the Development is not placed in service prior to December 31, 2019. Given that it is now known that the Development may not meet the placed in service deadline, the equity investor is unwilling to close its investment in the Development if there is any chance that it may not receive credits. Without the waiver request and current approval of the credit swap, the tax credit investor will not participate in the transaction, resulting in the inability of the Petitioner to construct the Development.

13. As discussed above, the delays have been caused by circumstances outside Peacefield's control.

14. As set forth more fully below, Peacefield seeks to return its 2017 Housing Credit allocation now, rather than wait for the last calendar quarter of 2019 as required under the QAP, and obtain from the Corporation an immediate allocation of new Housing Credits with a later required placed in service date.

15. The requested waivers and variance will not adversely affect the Development. A denial of the Petition, however, would (a) result in substantial economic hardship to Peacefield, (b) deprive the City of Hollywood and Broward County of essential affordable rental units set aside for low-income and very low-income elderly tenants, and (c) violate principles of fairness.

16. Section 42(m) of the Internal Revenue Code requires each state allocating agency to adopt an allocation plan for the allocation and distribution of federal low income housing tax credits. The Corporation, as the allocating agency for the State of Florida, must distribute housing credits to applicants pursuant to its qualified allocation plan.

17. The Corporation's Qualified Allocation Plan (Section II.K) provides that Housing Credits may be returned **only** in the last calendar quarter of the year in which a development is required to be placed in service:

...where a Development has not been placed in service by the date required or it is apparent that a development will not be placed in service by the date required, and such failure is due to circumstances beyond the Applicant's control, and the Applicant **has returned its Housing Credit allocation in the last calendar quarter of the year** in which it was otherwise required to be placed in service, the Corporation may reserve allocation in an amount not to exceed the amount of credits returned, and may allocate such housing credits to the Applicant **for the year after the year** in which the Development was otherwise required to be placed in service..."

QAP at Section II.K (emphasis added).

18. The applicable Rules for which waivers are requested are implementing, among other sections of the Florida Housing Finance Corporation Act (the "Act"),¹ the statute that created the Housing Credits Program. *See* § 420.5099, Fla. Stat. (2018). The Act designates FHFC as the State of Florida's housing credit agency within the meaning of Section 42(h)(8)(A)

¹ The Florida Housing Finance Corporation Act is set forth in Sections 420.501 through 420.55 of the Florida Statutes (the "Act").

of the Internal Revenue Code of 1986. As the designated agency, FHFC is responsible for and is authorized to establish procedures for the allocation and distribution of low-income housing tax credits (“Allocation Procedures”). §§ 420.5099(1) and (2), Fla. Stat. (2018). Accordingly, the Rules subject to Peacefield’s waiver requests are implementing, among other sections of the Act, the statutory authorization for the Corporation’s establishment of Allocation Procedures for the HC Program. §§ 420.5099(1) and (2), Fla. Stat. (2018).

19. The requested waivers will ensure the availability of Housing Credits which might otherwise be lost as a consequence of development delays described herein.

20. The facts set forth in Sections 9 through 13 of this Petition demonstrate the hardship and other circumstances which justify Peacefield’s request for Rule waiver. Peacefield respectfully requests that no further fees be imposed in connection with the requested credit exchange, given (a) the significant amount of extension fees already paid for the extension of various dates under the carryover allocation agreement, and (b) that the reasons for the delays described herein were wholly outside of Petitioner’s control.

21. As demonstrated above, the requested waivers serve the purposes of Section 420.5099 and the Act, as a whole, because one of their primary goals is to facilitate the availability of decent, safe and sanitary housing in the State of Florida to low-income persons and households by ensuring:

... the maximum use of available tax credits in order to encourage development of low-income housing in the state, taking into consideration the timeliness of the application, the location of the proposed housing project, the relative need in the area for low-income housing and the availability of such housing, the economic feasibility of the project, and the ability of the applicant to proceed to completion of the project in the calendar year for which the credit is sought.

§ 420.5099(2), Fla. Stat. (2018).

22. Further, by granting the requested waivers, FHFC would recognize principles of fundamental fairness in the development of affordable rental housing. This recognition would promote participation by experienced developer entities, such as Pinnacle Housing Group, LLC, in meeting the purposes of the Act, regardless of the possible delays from factors outside of its control. In addition, grant of the requested waivers will permit the development of much needed housing for low-income and very low-income elderly tenants. Finally, grant of the request to waiver will enable Peacefield to utilize (and not lose) its significant investment in due diligence expenses that cannot be recouped if the requested waiver is not granted.

23. The requested waivers will not adversely impact the Development or the Corporation.

24. The waivers being sought are permanent in nature.

Should the Corporation require additional information, Peacefield is available to answer questions and to provide all information necessary for consideration of its Petition for Waiver.

WHEREFORE, Petitioner Pinnacle at Peacefield, Ltd., respectfully requests that the Corporation:

- A. Grant the Petition and all the relief requested therein;
- B. Waive the Qualified Allocation Plan's prohibition from returning Housing Credit Allocations prior to the last quarter of 2019;
- C. Allow the immediate return of Peacefield's 2017 Housing Credit Allocation;
- D. Immediately allocate new Housing Credits to Peacefield with a later placed in service date, in an amount equal to the amount of its 2017 Housing Credit Allocation with no further fees imposed; and
- E. Award such further relief as may be deemed appropriate.



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ATTORNEYS FOR PETITIONER

CERTIFICATE OF SERVICE

The Original Petition is being served by facsimile and overnight delivery for filing with the Corporation Clerk of the Florida Housing Finance Corporation, 227 North Bronough Street, City Centre Building, Room 5000, Tallahassee, Florida 32399, with copies served by overnight delivery on the Joint Administrative Procedures Committee, Room 680, Pepper Building, 111 W. Madison Street, Tallahassee, Florida 32399-1400 this 24th day of August, 2018.



GARY J. COHEN

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