

STATE OF FLORIDA

FLORIDA HOUSING FINANCE CORPORATION

FF REALTY LLC,
a Delaware limited liability company

Petitioner,

APPLICATION NO. _____

vs.

FLORIDA HOUSING FINANCE CORPORATION

FHFC Case # 2066-00300

Respondent,

_____ /

**PETITION FOR VARIANCE
FROM RULE 67-21.008(1)(b), F.A.C.**

FF Realty LLC, a Delaware limited liability company (“**Petitioner**”), entered into a contract under which it, Fairfield Mariner’s Club LLC, a Delaware limited liability company or another affiliate will purchase a multifamily residential rental housing complex known as Mariner’s Club Apartments, located at 1700 South San Pablo Road, Jacksonville, Florida 32224 (the “**Development**” or the “**Project**”), hereby petitions Florida Housing Finance Corporation (“**Corporation**”) for a variance from Rule 67-21.008(1)(b), Florida Administrative Code. This Petition is filed pursuant to Section 120.542, Florida Statutes, and Chapter 28-104.002, Florida Administrative Code.

The Petitioner

1. The address, telephone number and facsimile number of the Petitioner are:

FF Realty LLC
5510 Morehouse Drive, Suite 200
San Diego, California 92121
Attention: Mr. Stanley P. Herskovitz, Senior Vice President
Telephone: (858) 824-6402
Facsimile: (858) 625-0254

2. The address, telephone number and facsimile number of the Petitioner's representative are:

R. Wade Norris, Esq.
Eichner & Norris PLLC
1225 19th Street NW, Suite 750
Washington, DC 20036
Telephone: (202) 973-0100
Facsimile: (202) 296-6990

3. Petitioner has applied for \$30,000,000 in principal amount of the Corporation's 2006 Series Tax-Exempt Multifamily Mortgage Revenue Bonds financing (the "**Series 2006 Bonds**"). The Series 2006 Bonds financing is being obtained to provide funds to enable Petitioner to purchase the Project, to rehabilitate the Project and for other related purposes. The Project was originally financed with the proceeds of the Corporation's Housing Revenue Bonds, 1996 Series K-1 (Mariner Club Apartments Project) (the "**Series 1996 Bonds**"). The Series 1996 Bonds will be defeased simultaneously with the issuance of the Series 2006 Bonds, for an optional redemption on September 1, 2006, the first call date for the Series 1996 Bonds, from a portion of the purchase price paid by Petitioner to the current owner of the Project, which will be escrowed for such purpose. The financing structure for the Project will consist of a first mortgage loan from the Corporation for Series 2006 Bond proceeds. The Series 2006 Bonds will not be rated or credit enhanced, but will be sold in an institutional placement transaction to Merrill Lynch or an affiliate under its "Total Return Swap" Program or to another major Wall Street firm under a similar institutional placement arrangement acceptable to the Corporation. The financing structure of the proposed Series 2006 Bonds is detailed in the Credit Underwriting Report currently being prepared by Seltzer Management Group, Inc. for submittal to the Corporation's Board. The Series 2006 Bond closing for the Project is intended to take place on or about May 24, 2006.

The Rule from Which Variance is Sought and Action Requested

4. Petitioner requests a variance from a portion of Rule 67-21.008(1)(b), Florida Administrative Code (the "**Amortization Rule**"). More specifically, Petitioner is seeking a variance from what is designated as the beginning date for the amortization of the Series 2006 Bond loan, such that

amortization would not commence until ten (10) years following the closing of the Series 2006 Bond loan, during which period only interest on the outstanding loan balance would be paid. The Amortization Rule provides:

- (1) Each Mortgage Loan for a development made by the Corporation shall:

- (b) Provide for a full amortized payment of the Mortgage Loan in full beginning on the earlier of 36 months after closing, or stabilized occupancy, or conversion to permanent financing under the loan documents and ending no later than the expiration of the useful life of the property, and in any event, no later than 45 years from the date of the Mortgage Loan.

Statute Implement by the Rule

5. The statute that the Rule is implementing in Section 420.508(3)(a), Florida Statutes.

**Petitioner Requests a Variance of the Rule
Set Forth Above for the Following Reasons**

6. The Petitioner will invest significant sums of its own capital in purchasing the Project and has scheduled significant capital improvements over the next two years in order to provide a superior affordable housing project in eastern Jacksonville. The requested ten (10) year “interest only” period will allow this to happen.

Variance Will Serve the Underlying Purpose of the Statute

7. Petitioner believes that a variance of the Rule will serve the purposes of the Statute, which is implemented by the Rule. The proposed institutional private placement provides the bondholders and the Corporation with a reasonable and prudent execution for the delivery of the Bonds. The Series 2006 Bonds will be structured in a manner such that, after the ten (10)-year “interest-only” period, deposits will be required to a principal reserve fund or similar account held by the trustee for the Series 2006 Bonds and applied to fully amortize loan principal in accordance with the institutional purchaser’s requirements over the remaining 30 years of the 40-year term of the Series 2006 Bonds.

8. The Corporation has the authority pursuant to Sections 120.542(1) and (2), Florida Statutes, to provide relief from its rule if the purpose of the underlying statute will be or has been achieved

by other means and when strict application of the rule would create a substantial hardship or would violate principles of fairness. Unless the Rule variance is granted, the Petitioner will be subjected to substantial hardship, which will have a negative and unintended effect on the viability of an otherwise economically reasonable project. Without approval of this request, quality affordable housing in eastern Jacksonville could be sacrificed. In a market where several multifamily projects have converted to condominiums, Mariner's Club remains a viable and high quality alternative for affordable housing.

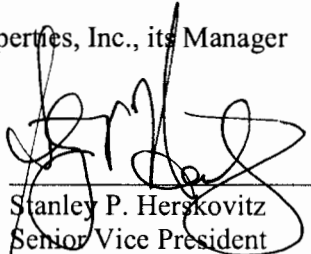
Type of Variance

9. The Petitioner requests a variance of the Rule as set forth above for a period of ten (10) years from the issuance of the Series 2006 Bonds, during which period no amortization of the Series 2006 or the Series 2006 Bonds would be required.

10. A copy of the Petition has been provided to the Joint Administrative Procedures Committee, Room 120, The Holland Building, Tallahassee, FL 32399-1300.

FF REALTY LLC, a Delaware limited liability company

By: FF Properties, Inc., its Manager

By: 
Name: Stanley P. Herskovitz
Title: Senior Vice President