

STATE OF FLORIDA
FLORIDA HOUSING FINANCE CORPORATION

FHFC CASE NO.: 2022-017VW
APPLICATION NO.: 2021-285H

HERMOSA ARCADIA, LLC

Petitioner,

vs.

FLORIDA HOUSING FINANCE
CORPORATION,

Respondent.

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FLORIDA HOUSING
FINANCE CORPORATION

PETITION FOR WAIVER OF RULE 67-48.004(3)(d), FLORIDA ADMINISTRATIVE
CODE AND SECTION FOUR A.3.c.(3) OF RFA 2020-206

Hermosa Arcadia, LLC, a Florida limited liability company (the “**Petitioner**”), by and through its undersigned counsel, hereby petitions the Florida Housing Finance Corporation (the “**Corporation**”) for a waiver of Rule 67-48.004(3)(d), F.A.C. (Effective June 23, 2020) (the “**Rule**”) and Section Four A.3.c.(3) of the RFA, as defined below, so that Petitioner may (i) admit AHA Hermosa Arcadia, LLC, a Florida limited liability company (“**AHA Manager**”), as a member and sole manager of Petitioner, and (ii) add AHA Development, LLC, a Florida limited liability company (“**AHA Developer**”), as an additional co-developer for construction of the Development, as defined below, before loan closing. Admitting AHA Manager would change the managing member of Petitioner as provided in the Application, as defined below, prior to loan closing, which requires a waiver of rule 67-48.004(3)(d), as discussed below.

This Petition is filed pursuant to Section 120.542, Florida Statutes, and Chapter 28-104, Florida Administrative Code. In connection with this request for the rule waiver or variance, Petitioner also requests that the Corporation's Board of Directors (the "**Board**") approve changes in Petitioner's ownership and developer structure (as more fully described below) pursuant to rule 67-48.004(3)(a) and (b) and Section Four A.3.c.(3) of the RFA, as defined below. In support, the Petitioner states as follows:

A. THE PETITIONER

1. The mailing address, telephone number and email of the Petitioner is as follows:

Hermosa Arcadia, LLC
Attn: Michael Allan
10429 Greenmont Drive
Tampa, Florida 33626
Telephone: (813) 816-2240
Email: mallan@revitaldevelopment.com

2. The mailing address, telephone number and email of the Petitioner's legal counsel is as follows:

Nicholas W. Heckman, Esq.
Nelson Mullins Riley and Scarborough, LLP
390 N. Orange Ave., Suite 1400
Orlando, Florida 32801
Telephone: (407) 839-4241
Email: nick.heckman@nelsonmullins.com

3. On November 19, 2020, the Petitioner timely submitted an application (the "**Application**") in response to RFA 2020-206 HOME Financing for the Construction of Small, Rural Developments (the "**RFA**") and requested \$5,600,000.00 in HOME funding to finance the construction of a 27-unit multifamily apartment complex to be known as Hermosa Arcadia located in Arcadia, DeSoto County, Florida (the "**Development**").

4. On March 18, 2021, the Board selected Petitioner for funding, and Petitioner was subsequently invited to enter credit underwriting. Petitioner accepted that invitation and has subsequently been working with First Housing Development Corporation (“**First Housing**”), one of the Corporation’s designated credit underwriters.

5. Petitioner’s sources of funding include first mortgage proceeds, HOME loan proceeds, a Viability Home loan, and deferred developer fees. During the course of the credit underwriting process, it became apparent that the proposed Development was not viable pursuant to the first mortgage debt sizing requirements for HOME Developments in rule 67-48.0072(11), F.A.C. (“**HOME Debt Sizing**”). That rule requires that the minimum debt service coverage be 1.10x on HOME interest plus all superior debt service (1.0x if deferring 35% or more developer fee). Petitioner is considered a for-profit Applicant and is thus subject to a 1.5 percent per annum interest rate on the HOME loan principal under Section 67-48.020(2)(a), F.A.C. During credit underwriting, Petitioner became aware that it will not be able to achieve the required HOME Debt Sizing, with a 1.5 percent per annum HOME interest rate, even after deferring 100% of developer fees, therefore rendering the Development financially infeasible.

6. In order to make the Development financially feasible, Petitioner has been working with First Housing and with the Corporation’s staff to restructure the Applicant entity in a way that would allow the proposed Development to move forward. This proposed restructuring is based on (i) the admittance of AHA Manager, which is wholly owned by The Housing Authority of the City of Arcadia, Florida, a public housing authority (“**AHA**”), as a member and sole manager of Petitioner, and (ii) to add another separate developer entity, AHA Developer, which is also wholly owned by AHA. AHA is a public body corporate and politic established in 1962, which provides decent and safe rental housing to eligible low-income families, the elderly, and persons with

disabilities. AHA will added tremendous value to the Development and will be involved with all aspects of the Development moving forward through construction as well as during the Development's permanent operations.

7. Under the proposed restructuring, AHA Manager will own a 25 percent equity interest in Petitioner and serve as Petitioner's sole manager. Revital Hermosa Arcadia, LLC and NDA Hermosa Arcadia, LLC, the Petitioner's current managers and members, will no longer serve as co-managers of Petitioner and will now each respectively own a 37.5 percent equity interest in Petitioner. Moreover, AHA Developer will serve as a co-developer of the Development, alongside Revital Development Group, LLC and National Development of America, Inc. AHA Developer will be entitled to 25 percent of the developer's fees earned by the developers. Attached as Exhibit A is Petitioner's original structure of the Applicant (i.e., the Petitioner) entity and its developer structure reflecting the two co-developers, as stated in Petitioner's original application. Attached as Exhibit B is Petitioner's proposed Applicant (i.e., the Petitioner) entity structure and the proposed Developer structure reflecting the three separate co-developers.

8. Approval of Petitioner's proposed restructuring would mean that Petitioner would now have a Public Housing Authority included within its structure, which would in turn own 100 percent of the ownership interest in the Development held by the managing member of the Applicant. Therefore, Petitioner would be compliant with Rule 67-48.020(2)(d), relating to Terms and Conditions of Loans for Home Rental Developments. Petitioner also has prepared a new Principals Disclosure Form for the Applicant and Developers that is attached as Exhibit C.

B. THE RULE FROM WHICH WAIVER IS SOUGHT

9. Petitioner requests a waiver of, or variance from, Rule 67-48.004(3)(d) F.A.C. (Effective June 23, 2020), which provides, in relevant part, as follows:

Rule 67-48.004(3)(d):

“(3) For the SAIL, HOME and Housing Credit programs, notwithstanding any other provision of these rules, the following items as identified by the Applicant in the Application must be maintained and cannot be changed by the Applicant after the applicable submission, unless provided otherwise below:

(d) Applicant applying as Non-Profit or for-profit organization, unless provided otherwise in a competitive solicitation;”

10. Petitioner requests a waiver of, or variance from, Section Four A.3.c.(3) of RFA 2020-206 in order to make the changes to the Applicant entity and for the addition of AHA Developer. Section Four A.3.c.(3) of RFA 2020-206, provides in relevant part:

“The Applicant entity shall be the borrowing entity and cannot be changed in any way (materially or non-materially) until after loan closing...Changes to the Applicant entity (material or non-material) prior to the loan closing...may result in disqualification from receiving funding and may be deemed a material misrepresentation.

The Principals of each Developer identified in the Application, including all co-Developers, may be changed only by written request of an Applicant to Corporation staff and approval of the Board after the Applicant has been invited to enter credit underwriting.”

11. Although Petitioner does not need a formal waiver of Rule 67-48.004(3)(a) or (b) to add a co-developer, Petitioner does need to make the request to the Corporation’s Staff and does need approval of the Board to make such change. Thus, Petitioner respectfully requests the Board’s approval of the addition of AHA Developer as a developer pursuant to Subsection (3)(a) and (b) of Rule 67-48.004 F.A.C. (Effective June 23, 2020) which provide in relevant part:

Rule 67-48.004(3)(a) and (b)

“(3) For the SAIL, HOME and Housing Credit programs, notwithstanding any other provision of these rules, the following items as identified by the Applicant in the Application must be maintained and cannot be changed by the Applicant after the applicable submission, unless provided otherwise below:

(a) Name of Applicant or Developer entity(s); notwithstanding the foregoing, the name of the Applicant or Developer entity(s) may be changed only by written request of an Applicant to Corporation staff and approval of the Corporation after the Applicant has been invited to enter credit underwriting. With regard to said approval, the Corporation shall consider the facts and circumstances of each Applicant’s request, inclusive of validity and consistency of Application documentation;

(b) Principals of each Developer, including all co-Developers; notwithstanding the foregoing, the Principals of the Developer(s) may be changed only by written request of an Applicant to Corporation staff and approval of the Board after the Applicant has been invited to enter credit underwriting. With regard to said approval, the Board shall consider the facts and circumstances of each Applicant’s request, inclusive of validity and consistency of Application documentation;”

C. STATUTES IMPLEMENTED BY THE RULES

12. The Rule is implementing, among other sections of the Florida Housing Finance Corporation Act (the “Act”), the statute that designates the Corporation to administer the HOME program in accordance with the HOME Investment Partnership Program. See Fla. Stat. § 420.5089.

D. JUSTIFICATION FOR PETITIONER’S REQUESTED WAIVER

13. Under Section 120.542(1), Fla. Stat., and Chapter 28-104, F.A.C., the Corporation has the power and authority to grant waivers to its rule requirements when strict application of the rules would lead to unreasonable, unfair and unintended consequences in particular instances. A waiver shall be granted when the person who is subject to the rule demonstrates that the application

of the rule would: (1) create a substantial hardship¹ or violate principles of fairness, and (2) the purpose of the underlying statute has been or will be achieved by other means by the person. *See* § 120.542(2), Fla. Stat.

14. Strict adherence to Rule 67-48.004(3)(d) F.A.C. and Section Four A.3.c.(3) of the would impose a hardship on Petitioner because the proposed Development would not be financially feasible if the Applicant did not receive a 0 percent HOME interest rate, which it will not qualify for unless it can be restructured to include the Public Housing Authority (i.e., AHA as owner of AHA Manager and AHA Developer). A waiver of the Rule is required to avoid the economic hardship of limited sources to build the Development. DeSoto County is in dire need of affordable housing, and the proposed restructuring of Petitioner's Applicant entity and the addition of the co-developer entity, as proposed, would allow the proposed Development to move forward.

15. The Petitioner believes that a waiver will serve the purposes of Section 420.5089 and the Act that are implemented by Chapter 67-48 F.A.C., because one of the goals is for the proceeds of Corporation financing to be used to facilitate the availability of decent, safe and sanitary housing in the State of Florida to low-income persons and households. The Act (Section 420.501, et seq.) was passed in order to create inducements and opportunities for private and public investment in rental housing to increase the supply of affordable housing for low-income persons and households. By granting this Petition, the Corporation would recognize the goal of increasing the supply of affordable housing units via the construction of new developments throughout Florida, particularly in DeSoto County.

¹ "Substantial hardship" means a demonstrated economic, technological, legal or other type of hardship to the person requesting the variance or waiver. Further, "principles of fairness" are violated when the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule. *See* Fla. Stat. § 120.542.

16. The requested waiver will not adversely affect Petitioner, the Development, or any other party that applied to receive funding in the RFA or the Corporation.

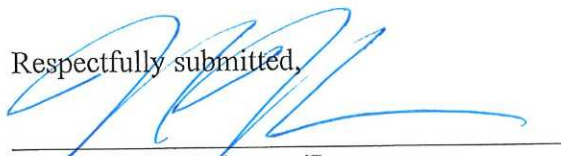
E. TYPE OF WAIVER

17. The waiver being sought is permanent in nature.

F. ACTION REQUESTED

18. For the reasons set forth herein, the Petitioner respectfully requests the Corporation (i) grant a waiver of Rule 67-48.004(3)(d) F.A.C. (Effective June 23, 2020) and Section Four A.3.c.(3) of RFA 2020-206 and approve the requested changes to the Petitioner's ownership structure and developer structure pursuant to Rule 67-48.004(3)(a) and (b) F.A.C. (Effective June 23, 2020); (ii) grant this Petition and all the relief requested herein; and (iii) grant such further relief as it may deem appropriate.

Respectfully submitted,



Nicholas W. Heckman, Esq.
Fla. Bar No. 0127356
Nelson Mullins Riley & Scarborough LLP
390 N. Orange Ave., Suite 1400
Orlando, Florida 32801
Telephone: (407) 839-4241
Email: nick.heckman@nelsonmullins.com
COUNSEL FOR PETITIONER

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the foregoing Petition was filed by electronic delivery to:

Florida Housing Finance Corporation
Attn: Corporation Clerk
227 North Bronough Street, Suite 5000
Tallahassee, Florida 32301
Email: corporationclerk@floridahousing.org

Joint Administrative Procedures Committee
680 Pepper Building
111 W. Madison Street
Tallahassee, Florida 32399
Email: joint.admin.procedures@leg.state.fl.us

This 15th day of February, 2022.

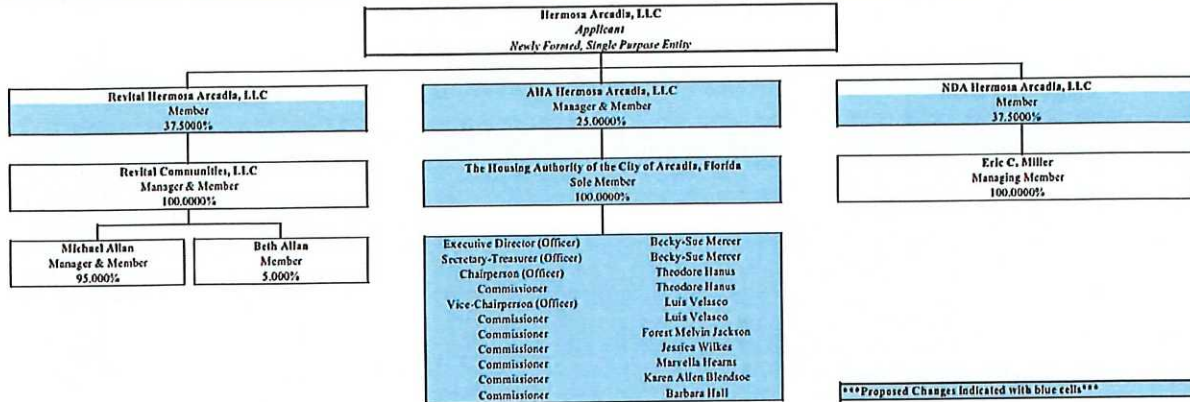
By: 

Nicholas W. Heckman, Esq.
Fla. Bar No. 0127356

Exhibit B

Applicant Entity - Hermosa Arcadia, LLC

PROPOSED



Developer Entities

PROPOSED

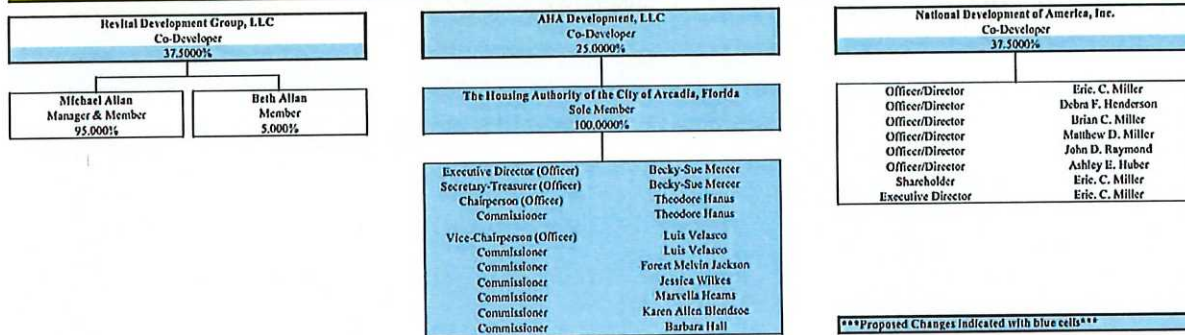


Exhibit C

Principal Disclosures for the three Developers

Select the organizational structure for the second Co-Developer entity:

The second Co-Developer is a: Limited Liability Company

Provide the name of the Developer Limited Liability Company:

Revital Development Group, LLC

First Principal Disclosure Level:

Revital Development Group, LLC

[Click here for Assistance with Completing the Entries for the First Level Principal Disclosure for a Developer](#)

<u>First Level Entity #</u>	<u>Select Type of Principal of Developer</u>	<u>Enter Name of First Level Principal</u>	<u>Select organizational structure of First Level Principal Identified</u>
1.	<u>Managing Member</u>	<u>Michael Allan</u>	<u>Natural Person</u>
2.	<u>Member</u>	<u>Beth Allan</u>	<u>Natural Person</u>
3.	<u><Select an option></u>		<u><Select an option></u>
4.	<u><Select an option></u>		<u><Select an option></u>
5.	<u><Select an option></u>		<u><Select an option></u>
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8.	<u><Select an option></u>		<u><Select an option></u>
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10.	<u><Select an option></u>		<u><Select an option></u>
11.	<u><Select an option></u>		<u><Select an option></u>
12.	<u><Select an option></u>		<u><Select an option></u>
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18.	<u><Select an option></u>		<u><Select an option></u>
19.	<u><Select an option></u>		<u><Select an option></u>
20.	<u><Select an option></u>		<u><Select an option></u>

Second Principal Disclosure Level:

Revital Development Group, LLC

[Click here for Assistance with Completing the Entries for the Second Level Principal Disclosure for a Developer](#)

<u>Select the corresponding First Level Principal Entity # from above for which the Second Level Principal is being</u>	<u>Second Level Entity #</u>	<u>Select the type of Principal being associated with the corresponding First Level Principal Entity</u>	<u>Enter Name of Second Level Principal</u>	<u>Select organizational structure of Second Level Principal Identified</u>
<u><Select a #></u>		<u><Select an option></u>		<u><Select an option></u>
<u><Select a #></u>		<u><Select an option></u>		<u><Select an option></u>
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Principal Disclosures for the three Developers

Select the organizational structure for the third Co-Developer entity:

The third Co-Developer is as: Limited Liability Company

Provide the name of the Developer Limited Liability Company:

AHA Developer, LLC

First Principal Disclosure Level:

AHA Developer, LLC

[Click here for Assistance with Completing the Entries for the First Level Principal Disclosure for a Developer](#)

First Level Entity #	Select Type of Principal of Developer	Enter Name of First Level Principal	Select organizational structure of First Level Principal identified
1.	<u>Sole Member</u>	<u>The Housing Authority of the City of Arcadia, Florida</u>	<u>Public Housing Authority</u>
2.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
3.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
4.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
5.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
6.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
7.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
8.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
9.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
10.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
11.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
12.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
13.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
14.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
15.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
16.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
17.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
18.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
19.	<u><Select an option></u>	<u></u>	<u><Select an option></u>
20.	<u><Select an option></u>	<u></u>	<u><Select an option></u>

Second Principal Disclosure Level:

AHA Developer, LLC

[Click here for Assistance with Completing the Entries for the Second Level Principal Disclosure for a Developer](#)

Select the corresponding First Level Principal Entity # from above for which the Second Level Principal is being	Second Level Entity #	Select the type of Principal being associated with the corresponding First Level Principal Entity	Enter Name of Second Level Principal	Select organizational structure of Second Level Principal identified
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.A.</u>	<u>Executive Director</u>	<u>Becky-Sue Mercer</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.B.</u>	<u>Officer/Director</u>	<u>Becky-Sue Mercer</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.C.</u>	<u>Officer/Director</u>	<u>Theodore Hanus</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.D.</u>	<u>Commissioner</u>	<u>Theodore Hanus</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.E.</u>	<u>Officer/Director</u>	<u>Luis Velasco</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.F.</u>	<u>Commissioner</u>	<u>Luis Velasco</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.G.</u>	<u>Commissioner</u>	<u>Forest Melvin Jackson</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.H.</u>	<u>Commissioner</u>	<u>Jessica Wilkes</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.I.</u>	<u>Commissioner</u>	<u>Marvella Hearn</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.J.</u>	<u>Commissioner</u>	<u>Karen Allen Blendsoe</u>	<u>Natural Person</u>
<u>1. (The Housing Authority of the City of Arcadia, Florida)</u>	<u>1.K.</u>	<u>Commissioner</u>	<u>Barbara Hall</u>	<u>Natural Person</u>
<u><Select a #></u>		<u><Select an option></u>	<u></u>	<u><Select an option></u>
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