

IN THE CIRCUIT COURT OF THE
FIRST JUDICIAL CIRCUIT IN AND
FOR ESCAMBIA COUNTY, FLORIDA

CASE NO. 2014-CA-000293

SOUTHEAST HOUSING LLC,
by and through its managing member,
BBC MILITARY HOUSING – NAVY
SOUTHEAST, LLC,

Plaintiff,

v.

CHRIS JONES, as the Property Appraiser for
Escambia County, Florida; JANET HOLLEY, as
the Tax Collector for Escambia County, Florida; and
MARSHALL STRANBURG, as Executive Director
of the Florida Department of Revenue,

Defendants.

COMPLAINT

COMES NOW the Plaintiff, SOUTHEAST HOUSING LLC, by and through its managing member, BBC MILITARY HOUSING – NAVY SOUTHEAST LLC, by and through its undersigned attorneys, and hereby sues the Defendants, CHRIS JONES, as the Property Appraiser for Escambia County, Florida; JANET HOLLEY, as the Tax Collector for Escambia County, Florida; and MARSHALL STRANBURG, as Executive Director of the Florida Department of Revenue, and as its cause of action would state as follows:

ALLEGATIONS COMMON TO ALL COUNTS

The Parties

1. The Plaintiff, SOUTHEAST HOUSING LLC (hereinafter sometimes referred to as “SOUTHEAST HOUSING”) is the title holder of the military housing and related

improvements which are the subject of this tax appeal litigation, more fully described in the records of the Property Appraiser and Tax Collector under the following Tax Parcel Numbers and account numbers (collectively the "Southeast Housing properties"):

- 56-2S-30-1000-000-010 (08-3441-500)
- 56-2S-30-1000-001-010 (08-3441-510)
- 01-3S-31-1000-001-010 (10-1701-500)
- 01-3S-31-1000-002-010 (10-1701-510)
- 01-3S-31-1000-003-010 (10-1701-520)
- 01-3S-31-1000-004-010 (10-1701-530)
- 01-3S-31-1000-005-010 (10-1701-540)
- 01-3S-31-1000-006-010 (10-1701-550)
- 01-3S-31-1000-007-010 (10-1701-560)
- 01-3S-31-1000-008-010 (10-1701-570)
- 01-3S-31-1000-009-010 (10-1701-580)
- 01-3S-31-1000-010-010 (10-1701-590)
- 01-3S-31-1000-011-010 (10-1701-600)
- 01-3S-31-1000-012-010 (10-1701-610)
- 01-3S-31-1000-013-010 (10-1701-620)

2. SOUTHEAST HOUSING LLC is a public-private venture comprised of the United States of America, Department of the Navy and BBC Military Housing – Navy Southeast LLC.

3. The managing member of SOUTHEAST HOUSING LLC is BBC Military Housing – Navy Southeast LLC, which was formerly known as GMH Military Housing – Navy Southeast LLC.

4. The Defendant, CHRIS JONES, is sued herein in his official capacity as the Property Appraiser of Escambia County, Florida and not individually (hereinafter the "Property Appraiser").

5. The Defendant, JANET HOLLEY, is sued herein in her official capacity as the duly elected Tax Collector of Escambia County, Florida and not individually (hereinafter the "Tax Collector").

6. The Defendant, MARSHALL STRANBURG, is sued herein in his official capacity as the Executive Director of the Florida Department of Revenue and not individually (hereinafter the "DOR").

7. This is an action by SOUTHEAST HOUSING contesting the legality and validity of the Property Appraiser's removal of the exempt status on certain real property located in Escambia County, Florida, identified by the tax parcel and account numbers shown above as the Southeast Housing properties.

8. This Court's jurisdiction over the subject matter of this litigation is predicated upon Sections 68.01 and 194.171 of the Florida Statutes and Article V, Section 5(b) of the Florida Constitution.

9. Venue for this action lies in Escambia County, Florida pursuant to Section 194.171(1) of the Florida Statutes.

10. SOUTHEAST HOUSING is a proper plaintiff per section 194.181(1)(a) of the Florida Statutes.

11. SOUTHEAST HOUSING is now, and was on January 1, 2013, the party responsible for the taxes on the military housing and related improvements located in Escambia County, the legal description of which is contained in the Property Appraiser's records as listed in Paragraph 1 above.

Background on Exemption of Privatized Military Housing in Escambia County

12. When the United States acquires property by purchase with the consent of the state where the property is located for the purposes enumerated in Article I, Section 8, Clause 17 of the U.S. Constitution, the property is thereafter subject to federal jurisdiction, exclusive of state authority, which includes being free of state taxation.

13. The state and the United States may agree to divide jurisdiction over property ceded to the United States, provided that sufficient jurisdiction must remain in the United States to enable it to carry out its purposes in acquiring the property.

14. Florida has codified language regarding what jurisdiction shall remain with the United States when property is ceded, specifically stating that the United States reserves “security to their property within said limits and extent, and **exemption of the same, and of said lands from any taxation under the authority of this state** while the same shall continue to be owned, held, used, and occupied by the United States.” Fla. Stats. § 6.04 (emphasis added).

15. All deeds of cession involving the Southeast Housing properties involved in this case use language identical or similar to that cited above.

16. In a military housing bill passed in 1947, Congress authorized the military branches to enter into long-term leases with private companies for the erection of military housing units on military installations across the country. Act of Aug. 5, 1947, 10 U.S.C. § 1270.

17. The 1947 military housing statute specifically provided that “the lessee’s interest, made or created pursuant to the provisions of [sections 1270-1270(d)] of this Act, shall be made subject to State and local taxation.”

18. Section 10 U.S.C. 1270 still exists but has been renumbered within the U.S. Code to 10 U.S.C. § 2667.

19. The prior Congressional consent to state and local taxation under the prior statute is now contained in 10 U.S.C. § 2667(f).

20. In 1996, the U.S. Department of Defense (“DoD”) determined that 66% of the military’s 300,000 on- and off-base housing units were in need of repair or replacement.

21. Using Military Construction (MILCON) funding levels, the DoD estimated that it would take 30 years to fix the military's family housing units at an estimated cost of \$30 billion.

22. The DoD ultimately concluded that there was not enough MILCON funding to fix this problem.

23. In 1996, Congress passed bipartisan legislation to provide the military with the means to provide improved housing for service members faster and more efficiently than traditional MILCON processes would allow by authorizing the DoD to work with the private sector through a variety of financial tools: direct investments in non-governmental entities and limited joint ventures; assignment of service members to privatized housing units; differential lease payments; rental allotments to service members; the sale, contribution, conveyance or lease of DoD-owned property; and military support facilities. This legislation was entitled the Military Housing Privatization Initiative and is commonly referred to as the Housing Initiative or MHPI.
10 U.S.C. § 2871 et seq.

24. In contrast to the 1947 military housing statute, the 1996 Housing Initiative legislation specifically makes clear that Congressional consent was not being granted for local taxation of the property interests concerned. Congress specifically provided in the Housing Initiative that "[t]he conveyance or lease of property or facilities under this section shall *not* be subject to . . . Section 2667 of this title." 10 U.S.C. § 2878(e)(1) (emphasis added).

25. Section 2667 was the prior section which allowed "[t]he interest of a lessee of property leased under this section may be taxed by state or local governments." 10 U.S.C. § 2667(f).

26. The Secretary of Defense then delegated the Housing Initiative to the various military services, which are authorized to enter into agreements with private developers selected

in a competitive process to own, maintain, redevelop and operate family military housing via a 50-year ground lease, all for the benefit of the military and its service members.

27. The Army, Navy, and Air Force now rely upon the Housing Initiative to rehabilitate their military housing in a timely and cost-effective manner. Service-wide, since 1996, over 120 military housing projects have been awarded covering more than 200,000 units.

28. The Navy selected GMH Communities Trust (GMH) and its military housing divisions (now known as Balfour Beatty Communities, LLC) to enter into exclusive negotiations to become its private sector partner for the design, development, construction, renovation and management of military family housing at the following eleven Navy Region Southeast installations: (i) Naval Air Station Key West in Monroe County, Florida; (ii) Naval Station Mayport in Duval County, Florida; (iii) Naval Support Activity Panama City in Bay County, Florida; (iv) Naval Air Station Whiting Field in Santa Rosa County, Florida; (v) Naval Air Station Pensacola in Escambia County, Florida; (vi) Naval Air Station Jacksonville in Duval County, Florida; (vii) Navy Submarine Base Kings Bay in Camden County, Georgia; (viii) Naval Construction Battalion Center Gulfport in Harrison County, Mississippi; (ix) Naval Air Station Meridian in Lauderdale County, Mississippi; (x) Navy Weapons Station Charleston in Berkeley County, South Carolina; and (xi) Naval Air Station Joint Reserve Base Forth Worth in Tarrant County, Texas (collectively the "Navy SE Project").

29. At the time the Navy and GMH were putting the Navy SE Project together, representatives met with Chris Jones, the Escambia County Property Appraiser (the Defendant in this case). The specific purpose of this meeting was to explain the new MHPI military housing program, particularly at Naval Air Station Pensacola ("NAS Pensacola"). Significant

communications continued throughout the next year, culminating in a meeting on September 8, 2008.

30. Complete background and supporting documentation were provided to the Property Appraiser during this time period.

31. In discussions with the Property Appraiser between 2007 and 2008, the following matters were expressly discussed and explained to the Property Appraiser regarding the planned privatized military housing project at NAS Pensacola:

(a) The Navy SE Project was expected to encompass approximately 5,270 housing units and, as of 2007, was expected to have a six-year development period with an estimated total project cost of approximately \$770 million.

(b) In furtherance of the Navy SE Project, the Navy and GMH were to form a limited liability company for the purpose of designing, developing, expanding, renovating, constructing, managing and repairing military family housing and related improvements which are part of the Navy SE Project. When eventually formed, the joint public-private entity was named Southeast Housing LLC.

(c) As discussed in greater detail below, the Navy was to have control of the vast majority of the funds received by this public-private partnership. The Navy had budget and disbursement approval rights over the 80% of net income from the joint venture which was to go to the Recapitalization Account and the 10% which was to be held in the Operating Reserve Account. GMH Military Housing – Navy Southeast LLC (now BBC Military Housing – Navy Southeast LLC and hereinafter referred to as “BBC”) was to receive 10% of the net income of Southeast Housing LLC up to certain

caps. The Navy was also to retain ownership of the underlying land and also have full reverter rights to all houses and other facilities at the end of the 50-year lease at no cost.

(d) To finance the initial costs of the renovation and construction of the military housing work encompassed by the Navy SE Project, Southeast Housing LLC was to issue taxable revenue bonds.

(e) In addition, the Navy was to make an equity contribution of up to \$63,600,000 and BBC was obligated to make an equity contribution of \$7,500,000 at the outset of the Navy SE Project.¹

(f) BBC was not entitled to a return of its equity investment until Southeast Housing LLC terminates or liquidates, which was anticipated to take place upon the expiration of the 50-year ground lease.

(g) Southeast Housing LLC was to prepare an annual operating budget, but was prohibited from implementing the operating budget until accepted by the Navy.

(h) Rental rates were to be limited to the Basic Allowance for Housing (BAH) which is the military housing allowance for off-base housing and is set annually by the Navy.

(i) BBC was also not entitled to a return on its equity investment until construction was complete.

(j) During the construction phase, all cash flow, after payment of project expenses and debt service associated with the bond financing, was to be retained in Southeast Housing LLC for the payment of construction costs.

¹ The Navy's initial contribution actually totaled \$64,820,000. The Navy later contributed an additional \$8,400,000 to the project, bringing the Navy's total contribution to \$73,220,000.

(k) Following completion of construction, excess cash flow (after payment of operating expenses, debt service, and any applicable fees) was to be applied as follows:

(i) Eighty percent (80%) to an account maintained for the benefit of the project (the "Recapitalization Account") which, upon dissolution of Southeast Housing LLC, will revert to the Navy.

(ii) Ten percent (10%) to a separate account (the "Operating Reserve Account") which was also subject to the direction of the Navy and which, upon the dissolution of Southeast Housing LLC, will also revert to the Navy.

(iii) Ten percent (10%) to BBC but this amount could not exceed an amount equal to a 10% cash-on-cash return.

(l) Southeast Housing LLC could only withdraw funds from the Recapitalization Account (i) for approved operating expenses, to make emergency repairs and maintain the military housing and (ii) withdrawals from this account were permissible only with the consent of the Navy.

(m) The Navy would establish the priority for tenants in the housing units, including active duty DoD military personnel with dependents, active duty Coast Guard personnel with dependents, active duty military personnel without families, military reservists without families, DoD civilians, and military retirees, as well as for the potential to lease to individuals not identified in the priority sequence assigned by the Navy.

32. During these discussions, and culminating in the September 8, 2008 meeting, it was explained to Mr. Jones and his staff that continued exemption of the NAS Pensacola military housing was critical to the budget projections and financial feasibility of proceeding with this privatized military housing.

33. At this same meeting, there also was discussion about the continuation of the impact allowance payments from the U.S. Department of Education to Escambia County and/or

Escambia County Public Schools to compensate for loss of property tax revenues in connection with the exemption of federal military properties. See 20 U.S.C. § 7702.

34. This payment is made to the local school district when it “is not being substantially compensated for the loss of revenue resulting from such [Federal] ownership by increases in revenue accruing to the agency [school district] from the conduct of Federal activities with respect to such Federal property.” 20 U.S.C. § 7702(a)(2). The amount of the Federal impact allowance payment is to be based on the amount of property taxes which the school district would have otherwise received if the Federal properties had been subject to local property taxes. 20 U.S.C. § 7702(b)(2).

35. Also discussed was the fact that federal military impact payments would continue as a direct federal contribution toward costs of schools and other public services. It was also noted that police and fire protection would continue to be provided by the Navy and that sewer and water services would continue through the Navy’s main account for the same.

36. It was also explained that, as part of the Navy SE Project, the Navy would execute a 50-year ground lease to Southeast Housing LLC (the public-private partnership between the Navy and BBC) as outlined above.

37. During these year-long discussions with the Property Appraiser, it was also explained that the ground lease had to follow a specified structure adopted by the Navy due to restrictions otherwise placed on the use of the Basic Allowance for Housing (“BAH”) by military personnel. By Federal regulation, the BAH could only be used for housing provided off-base. Thus, the military housing structures had to be conveyed to Southeast Housing LLC in order for the military service members to be able to use their BAH payments for the rent. The rents were to be set by the service member’s BAH, which is based on rank and number of dependents.

38. The Property Appraiser was further advised that, at the end of the ground lease, the houses and other improvements would automatically revert to the Navy without the payment of any compensation or consideration.

39. Also discussed with the Property Appraiser was the fact that, in connection with the execution of the ground lease, the new public-private partnership, Southeast Housing LLC, would contract for all necessary services, including architectural, engineering and construction services, as well as supervise demolition and/or renovation of existing housing and construction of new housing and ancillary facilities in accordance with the Navy's requirements.

40. The Property Appraiser was also advised that the ground lease would prohibit Southeast Housing LLC from ever assigning, selling or subleasing its interest in the ground lease or the houses and other improvements without the prior written approval of the Navy.

41. On September 18, 2008, Mr. Enoch Leatherwood, Chief Deputy Appraiser for Escambia County, on behalf of Chris Jones, Escambia County Property Appraiser, wrote a letter to undersigned counsel, James Spoonhour, stating that the Property Appraiser had concluded that (a) a 2008 exemption was granted on the Southeast Housing properties; (b) Southeast Housing would provide a current rent roll on January 1st of each year to the Property Appraiser; and (c) the annual renewal of the exemption on the Southeast Housing properties would be based on the percentage of rented units occupied by active duty personnel, as demonstrated in the provided rent roll (hereinafter the "Exemption Letter"). A copy of the Exemption Letter is attached hereto as Exhibit "A" and incorporated herein by this reference.

42. One year earlier, on October 1, 2007, the Navy and GMH Military Housing – Navy Southeast LLC (now BBC) entered into the Ground Lease. The full name of this document is "Real Estate Ground Lease and Conveyance of Facilities" and the title page, table of

contents and first two pages are attached hereto as Exhibit "B" and incorporated herein by reference. A complete copy of the Ground Lease has previously been provided to the Property Appraiser.

43. The Ground Lease acknowledges on pages 1 and 2 thereof that the Navy and GMH Military Housing – Navy Southeast LLC (now BBC) had formed Southeast Housing LLC (originally contemplated to be named Navy Southeast LLC) which was the name of the public-private venture formed for the Navy SE Project. The Ground Lease specifically states that the Navy is granting the lease pursuant to the authority contained in 10 U.S.C. § 2878, which is the Housing Initiative that specifically states these properties are not subject to state and local taxation, as discussed above.

44. Also on October 1, 2007, with the consent of the Department of the Navy, GMH (now BBC) assigned all of its right, title and interests in the Ground Lease to Southeast Housing LLC. A complete copy of the Omnibus Assignment Agreement has previously been provided to the Property Appraiser. The title page of the Omnibus Assignment, Assumption, Consent and Release Agreement is attached hereto as Exhibit "C" and incorporated herein by this reference. A full copy of this exhibit is not attached due to its bulk, but will be promptly provided to any party requesting a copy.

Status of Exemption of the Southeast Housing Properties

45. As discussed above, the Property Appraiser advised in a letter dated September 18, 2008 that the Southeast Housing properties would continue to be considered exempt based on the provision of rent rolls, and the percentage of rented units occupied by active duty personnel.

46. Based on the provision of these annual rent rolls, as well as exemption applications submitted by SOUTHEAST HOUSING on or before March 1st of each year, the Property Appraiser exempted the Southeast Housing properties for 2009, 2010, 2011 and 2012.

47. As had been in the previous years, SOUTHEAST HOUSING again submitted exemption applications on the subject properties on or about February 4, 2013.

48. As nothing had changed from the prior exemption applications submitted between 2009 and 2012, SOUTHEAST HOUSING reasonably assumed that the Southeast Housing properties would continue to be found exempt for 2013.

49. On July 1, 2013, the Property Appraiser sent a letter to SOUTHEAST HOUSING removing the exemptions on the Southeast Housing properties. A copy of this letter is attached hereto as Exhibit "D" and incorporated herein by this reference (hereinafter the "Exemption Removal Letter").

50. The Exemption Removal Letter states as follows:

"The application for exemption by Southeast Housing LLC has been denied. With respect the denial of this exemption, the applicant has the right to petition the Value Adjustment Board for review of the Property Appraiser's determination 194.011 Florida Statutes.

"Our review of the tax issues at Southeast Housing LLC are based on Florida Law which provides that property owned by a non-governmental entity or lessee, pursuant to Florida Statute 196.199 shall be subject to ad valorem taxation."

51. The Property Appraiser's Exemption Removal Letter provided no other specifics as to the basis for the change in his judgment about the Southeast Housing properties being entitled to exemption.

COUNT I: IMPROPER EXEMPTION REMOVAL/DENIAL

52. Paragraphs 1 through 51 above are realleged in full and incorporated herein by this reference.

53. This is an action by SOUTHEAST HOUSING contesting the legality and validity of the Property Appraiser's removal of the pre-existing exemptions under Chapter 196 of the Florida Statutes for tax year 2013.

54. At all times material to this cause of action, the Property Appraiser was responsible for properly determining the right to continuing exemptions on the Southeast Housing properties in accordance with Florida and federal law.

55. The Property Appraiser originally concluded that the subject properties were entitled exemption from ad valorem taxes starting in 2008.

56. From 2008 through July 1, 2013, the subject properties continued to receive the exemptions based on the filing of exemption applications and rent rolls with the Property Appraiser.

57. By virtue of the Exemption Removal Letter of July 1, 2013, the Property Appraiser changed his judgment as to entitlement to exemptions on these properties.

58. As of the relevant dates of January 1 of each year (2008, 2009, 2010, 2011, 2012 and 2013), there had been no change in the ownership (land owned by United States and improvements owned by Southeast Housing, LLC, the public-private venture under the Housing Initiative), no change in the leaseholder of the military housing and other improvements (Southeast Housing, LLC), and no change in the use of the subject properties as military housing that would dictate a removal of the exemptions.

59. Given that this privatized military housing program was set up under the auspices of the Housing Initiative (MHPI), there was no Congressional consent to allowing local taxation of this military housing and other improvements.

60. The Deeds of Cession relevant to the subject properties also do not allow for state or local taxation of this military housing and other improvements.

61. The Property Appraiser's removal of the exemptions on the Southeast Housing properties is contrary to both state and federal law and is without legal basis or authorization.

62. The military housing in the Southeast Housing properties has and continues to serve an important function of the federal government and is entitled to exemption from ad valorem taxation.

63. This military housing is now in the name of Southeast Housing LLC which is an entity inextricably tied to the U.S. Navy which is a significant participant in this public-private venture.

64. This military housing will continue to be under the review and jurisdiction of the Navy during the 50-year lease and then revert to the Navy at no cost.

65. During the duration of the Ground Lease, the Navy will set the specifications for the renovation or replacement of the military housing, has required that the rental rates be tied to the BAH paid to military personnel living off base, has designated who the tenants will be, has restricted the type of and priorities of the tenants who may occupy this military housing, has set the terms of the lease with the military tenants, and has oversight of the operations of the military housing.

66. SOUTHEAST HOUSING is performing an important governmental function of providing good housing for military personnel and, as such, the Southeast Housing properties are

entitled to exemption, even if there was not already a Congressional prohibition against taxing these properties. Fla. Stats. § 196.199(2)(a).

67. Further, these military housing units and other improvements will revert to the Navy upon the expiration of the term of the lease without cost and, as such, are statutorily deemed to be “owned” by the United States of America, Department of the Navy. Fla. Stats. § 196.012(6).

68. “All property of the United States shall be exempt from ad valorem taxation, except such property as is subject to tax by this state or any political subdivision thereof or any municipality under any law of the United States.” Fla. Stats. 196.199(1)(a) (emphasis added).

69. Congress specifically provided that military housing provided under the Housing Initiative Act (MHPI) was not subject to the prior provisions allowing local taxation of military housing, thereby expressly prohibiting ad valorem taxation of the Southeast Housing properties. 10 U.S.C. § 2878(e)(1).

70. The United States, acting through the Department of the Navy, holds the virtual and beneficial ownership of this military housing, which clearly serves a proper governmental function and purpose.

71. For the foregoing reasons, the Property Appraiser’s removal of the exemptions on the Southeast Housing properties for 2013 was improper, invalid, contrary to state and federal statutes, and without legal authority.

72. As a result of exempting the military housing located on the Southeast Housing properties, Escambia County and/or other local governmental bodies, such as the school district, received federal impact funds in lieu of receiving property taxes on these properties pursuant to 20 U.S.C. § 7702 and other federal programs.

73. Acceptance of those federal impact funds precludes or estops Escambia County and other local governmental bodies, including the school district, from imposing ad valorem taxes on the Southeast Housing properties.

74. Alternatively, if the Southeast Housing properties are deemed subject to ad valorem taxes, then Escambia County and all local jurisdictions, including the school district, should have to disgorge and refund to the federal government all impact allowance payments received by them in lieu of property taxes for 2013.

75. SOUTHEAST HOUSING has paid a nominal good faith estimate of taxes based on the amount which would have been due had these properties been properly exempted for the years in question. Verification of this good faith payment of the real property taxes on this SOUTHEAST HOUSING parcels is attached hereto in the form of a receipt from the Escambia County Tax Collector showing the payment of these taxes as Exhibit "E" and incorporated herein by this reference.

76. This action has been timely filed and all conditions precedent to the filing of this action have been satisfied.

WHEREFORE, SOUTHEAST HOUSING LLC respectfully requests the Court to render a judgment decreeing (a) that the exemptions for the subject properties for 2013 were unlawfully and/or invalidly removed and/or denied; (b) that the Court establish and declare the subject properties exempt from ad valorem taxes for the year 2013 per the exemption requirements of Chapter 196 of the Florida Statutes and federal law; (c) that the tax bills issued for 2013 on these properties be declared invalid and void and have them otherwise removed from the Tax Collector's records; (d) that the judgment further decree that SOUTHEAST HOUSING is entitled to a refund of good faith estimate of taxes paid to the extent that the amount previously

paid exceeds the amount of taxes which would be owed based on corrected and reinstated exemptions; (e) that the Tax Collector is enjoined from any effort to collect the aforesaid tax bills, including the sale of tax certificates, during the pendency of this action and, thereafter, permanently; (f) that, if the Southeast Housing properties are subject to ad valorem taxation for the year in question, then Escambia County and the other governmental jurisdictions and school districts receiving federal impact or other federal funds paid in lieu of property taxes must refund the same to the federal government for 2013; and (g) for such other and further relief as the Court may deem just and proper, as well as the costs of this action.

COUNT II: CHALLENGE OF REAL PROPERTY ASSESSMENTS

77. Paragraphs 1 through 76 above are realleged in full and incorporated herein by this reference.

78. This is an action in the alternative by SOUTHEAST HOUSING contesting the legality and validity of amount of the ad valorem assessments for 2013 of certain real properties located in Escambia County, Florida, identified by the tax parcel and alternate key numbers shown in Paragraph 1 hereof.

79. At all times material to this cause of action, the Property Appraiser was responsible for properly assessing the value of the SOUTHEAST HOUSING properties in accordance with Florida law.

80. SOUTHEAST HOUSING is without knowledge as to how the Property Appraiser derived the values used in these assessments, the method(s) of valuation used, and whether the Property Appraiser fully complied with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Florida Statutes, and the Florida Real Property Appraisal Guidelines issued by the Florida Department of Revenue.

81. SOUTHEAST HOUSING believes that the assessments substantially overstate the just or fair market value of these military housing units and other improvements given that they are not alienable, the underlying land is owned by the United States, the units and other improvements revert to the Department of the Navy at the end of the Ground Lease, the rents are restricted to the BAH housing allowance based on the service member's rank and family composition, the renters to whom the units may be leased are mandated and prioritized by Navy guidelines, and the fact that SOUTHEAST HOUSING's interest in the Ground Lease and the military housing and other improvements cannot be assigned or otherwise transferred without the advance approval of the Department of the Navy. SOUTHEAST HOUSING believes that, under these circumstances and the other constraints on these properties, that it is very difficult, if not virtually impossible, to determine a fair market value for these houses and other improvements.

82. For the foregoing reasons, SOUTHEAST HOUSING challenges the valuations which the Property Appraiser has placed on these properties, which are summarized below:

56-2S-30-1000-000-010 (08-3441-500)	\$9,076,685.00
56-2S-30-1000-001-010 (08-3441-510)	\$352.00
01-3S-31-1000-001-010 (10-1701-500)	\$1,969,603.00
01-3S-31-1000-002-010 (10-1701-510)	\$602,599.00
01-3S-31-1000-003-010 (10-1701-520)	\$60,660.00
01-3S-31-1000-004-010 (10-1701-530)	\$1,148,524.00
01-3S-31-1000-005-010 (10-1701-540)	\$244,861.00
01-3S-31-1000-006-010 (10-1701-550)	\$532,886.00
01-3S-31-1000-007-010 (10-1701-560)	\$4,570.00
01-3S-31-1000-008-010 (10-1701-570)	\$540,951.00
01-3S-31-1000-009-010 (10-1701-580)	\$1,582,420.00
01-3S-31-1000-010-010 (10-1701-590)	\$11,834,183.00
01-3S-31-1000-011-010 (10-1701-600)	\$1,523,851.00
01-3S-31-1000-012-010 (10-1701-610)	\$399,233.00
01-3S-31-1000-013-010 (10-1701-620)	\$935,089.00

83. These assessments exceed the just and fair market value of the subject properties, are unlawful, invalid, and/or are not within the range of reasonable assessments because:

(a) Section 193.011 of the Florida Statutes was not properly or lawfully considered by the Property Appraiser;

(b) The Property Appraiser ignored or did not properly apply the Florida Real Property Appraisal Guidelines adopted in 2002 by DOR pursuant to Sections 195.032 and 195.062 of the Florida Statutes and DOR's Manual of Instructions for Ad Valorem Taxation;

(c) The Property Appraiser has unlawfully, systematically, and intentionally substituted his own assessment policy instead of following the mandates of Section 193.011 of the Florida Statutes, the Florida Constitution and the DOR assessment guidelines with regard to valuing real property for ad valorem tax purposes;

(d) The assessments are discriminatory in that the assessments are at higher valuations than other taxable property of like class, nature, character, use and condition located in Escambia County, Florida and/or elsewhere in Florida;

(e) The assessments are arbitrarily based on valuation practices which are different from the valuation practices generally applied to comparable property within the same class and within Escambia County and elsewhere in the State of Florida; and/or

(f) The method of assessment used by the Property Appraiser was unrealistic, unjust, excessive, arbitrary and is in violation of the general laws of the State of Florida cited above and Article I, Section 4 and Article VII of the Florida Constitution, and violates the valuation methods and practices set forth in USPAP.

84. As a result of the foregoing over-assessments, the assessments greatly exceed the just value of the subject properties for each of the years in question, and the ad valorem taxes

resulting therefrom substantially exceed the taxes which would have been levied on the subject properties had they been properly assessed.

85. SOUTHEAST HOUSING has paid a nominal good faith estimate of taxes based the amount which would have been due had these properties been properly exempted or properly valued for 2013. Verification of this good faith payment of the real property taxes on these SOUTHEAST HOUSING parcels is attached hereto in the form of a receipt from the Escambia County Tax Collector showing the payment of these taxes as Exhibit "E" and incorporated herein by this reference.

86. This action has been timely filed and all conditions precedent to the filing of this action have been satisfied.

WHEREFORE, SOUTHEAST HOUSING respectfully requests the Court to render a judgment decreeing (a) that the subject properties were unlawfully, unequally and/or invalidly assessed for 2013; (b) that the assessments of the subject properties for 2013 exceed just or fair market value of these properties as of January 1, 2013; (c) that the Court establish and declare the lawful amount of the assessments for 2013 or, in the alternative, that the Court remand the assessments to the Property Appraiser with instructions to comply with the provisions of the Florida Statutes, the Florida Constitution and the DOR assessment guidelines; (d) that the assessments and the resulting taxes be set aside to the extent the same exceed the just or fair market value of the properties; and (e) that the judgment further decree that SOUTHEAST HOUSING is entitled to a refund of the good faith estimate of taxes paid to the extent that the amount previously paid exceeds the amount of taxes which would be owed on corrected assessments. Further, SOUTHEAST HOUSING would request that it be granted such other and further relief as the Court may deem just and proper, as well as the costs of this action.

COUNT III – REQUEST FOR INJUNCTIVE RELIEF

87. Paragraphs 1 through 86 of this Complaint are realleged in full and incorporated herein by this reference.

88. As shown above, the claims of SOUTHEAST HOUSING herein are meritorious and the actions of the Property Appraiser and the Tax Collector violate numerous statutes, both state and federal.

89. SOUTHEAST HOUSING is without adequate remedy at law and will suffer irreparable harm if the Property Appraiser and Tax Collector are not enjoined during the pendency of this litigation and thereafter.

90. The very existence of these invalid tax bills jeopardizes SOUTHEAST HOUSING's relationship with and obligations to its bondholders who have provided the funding for these military housing renovations and replacements.

91. The very existence of these invalid tax bills also jeopardizes SOUTHEAST HOUSING's obligations to the Department of the Navy under the Ground Lease and the other agreements related to the operation of this military housing.

92. Section 194.171(3) of the Florida Statutes provides that, once the taxpayer has made a good faith payment of the taxes due and timely filed an action pursuant to this section, all procedures for the collection of taxes prior to the final disposition of this case shall be suspended.

93. This is an action by SOUTHEAST HOUSING against the Property Appraiser and Tax Collector for temporary and permanent injunctive relief to suspend all collection of these taxes including, but not limited to, the sale of tax certificates, the filing of any tax liens or otherwise pursuing collection of these tax bills.

94. Under the governing statute, no bond or surety is required for purposes of the entry or validity of an order granting the relief requested herein.

95. In all likelihood, SOUTHEAST HOUSING will be required by its bondholders to post substantial surety in connection with these tax bills. Requiring any further bond or surety in connection with this litigation would result in having to provide a duplicate bond or surety.

WHEREFORE, SOUTHEAST HOUSING respectfully requests the Court to enter appropriate orders temporarily and permanently restraining the Tax Collector and Property Appraiser with regard to the following: (a) recording or serving any tax liens; (b) seeking to collect the tax bills by levy, sale of tax certificates or otherwise, pending final resolution of this case; and (c) for such other and further relief as the Court may deem just and proper.

COUNT IV – CLAIM FOR FEES AND INTEREST
PURSUANT TO FLA. STATS. § 57.105

96. Paragraphs 1 through 95 of this Complaint are realleged in full and incorporated herein by this reference.

97. This is an action by SOUTHEAST HOUSING LLC against the Property Appraiser, Chris Jones, for attorney's fees, court costs and pre-judgment interest pursuant to Section 57.105 of the Florida Statutes.

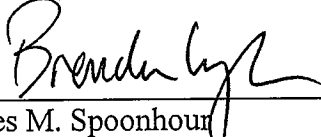
98. The Property Appraiser's actions, as alleged herein, are without basis in law and have and will continue to cost SOUTHEAST HOUSING substantial amounts in legal fees, court costs and foreseeable other damages and complications.

99. Should the Court find that the Property Appraiser's actions, as aforesaid, and his defenses in this action are not supported by the material facts necessary to establish his defense or that the Property Appraiser's actions and defenses are not supported by the application of then-existing law to those material facts, the Court is statutorily authorized to grant an award of

attorney's fees and prejudgment interest to be paid to the prevailing party in equal amounts by the losing party and the losing party's attorney.

WHEREFORE, SOUTHEAST HOUSING prays for the entry of an award or judgment for its legal fees with pre-judgment interest and for such other and further relief as the Court may deem just and proper.

LOWNDES, DROSDICK, DOSTER,
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**NOTICE PURSUANT TO THE AMERICANS
WITH DISABILITIES ACT**

If you are a person with a disability who needs any accommodation in order to participate in this proceeding, you are entitled, at no cost to you, to the provision of certain assistance. Please contact: Court Administration, ADA Liaison, Escambia County, 190 Governmental Center, 5th Floor, Pensacola, FL 32502, telephone (850) 595-4400; fax (850) 595-0360; e-mail ADA.Escambia@flcourts1.gov at least seven (7) days before your scheduled court appearance, or immediately upon receiving this notification if the time before the scheduled appearance is less than 7 days; if you are hearing or voice impaired, call 711.