



OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

February 3, 2016

VIA FACSIMILE

VIA EMAIL

Rev. Richard L. Hamlet, President
GMF -- Preservation Affordability Corp., Member
GMF -- Warren Tulane LLC
65 Germantown Court, Suite 409
Cordova, TN 38018

SUBJECT: Warren Tulane Apartments
Section 8 HAP Contracts No. [REDACTED]
REMS No. [REDACTED]
Memphis, Tennessee

Notice of Abatement

Dear Rev. Hamlet:

The purpose of this letter is to notify the Owner that HUD is abating the Housing Assistance Payment (HAP) contract of Warren Apartments, Tulane I Apartments, and Tulane II Apartments, due to the Owner's default. Pursuant to the HAP Contracts and HUD regulations, the owner is required to maintain units in a decent, safe and sanitary manner and has failed to do so. You are required to cooperate with HUD's procedures for abatement and relocation of the residents of these properties.

HUD previously notified you in a Notice of Default dated May 21, 2015 (Notice) that you were in default of your HAP Contract for violations of your contractual obligations under the HAP Contract and for violations of HUD's decent, safe and sanitary standards. You were advised that if you failed to correct these violations to the satisfaction of the Secretary within 60 days from the date of the Notice, HUD would seek any and all remedies provided in the HAP Contract.

On May 1, 2015 and December 24, 2015, REAC Physical Inspection Reports were released with scores of 50c* and 52c* respectively, documenting your continued failure to correct the physical deficiencies and return the property to decent, safe, and sanitary condition.

Following both REAC inspections, the Owner was given a list of Exigent Health and Safety ("EH&S") violations that required immediate response and repair by the Owner. The Owner certified to HUD following both inspections that all EH&S violations had been corrected. Despite these certifications, REAC inspectors found that at least six (6) EH&S violations that existed during the first inspection had not been corrected by the second inspection. For the health and safety of the residents, HUD requires all owners to correct EH&S violations and to certify those corrections whenever such violations are found. A false certification is a serious violation of the HAP contract and indicates overall lack of ability of an Owner to move forward as a HUD partner. It may also have other consequences.

Even more troubling were HUD's findings during its site visits. HUD staff visited the property on January 25 and 26, 2016 and found significant deficiencies at the property, including but not limited to infestation, emergency and fire exits blocked or unusable, hazards such as broken glass throughout the grounds and sidewalks, missing or inoperable smoke detectors, inoperable windows, damaged or broken cabinets, and damaged walls with holes or poor patches. HUD staff also heard and saw evidence of crime and a lack of control by the Owner.

HUD has based its decision to abate this contract on both the REAC inspections and this additional evidence of housing that is not decent, safe, and sanitary. This additional evidence identifies unsafe and unsanitary living conditions for residents, as well as the Owner's systemic failure to maintain the property in decent, safe, and sanitary condition. See 24 C.F.R. § 5.703. In addition to receiving two (2) failing REAC scores and observations of HUD staff during site visits, HUD has identified other specific examples of non-compliance, including but not limited to:

1. Unsafe conditions for residents connected with locks and exterior conditions. On several occasions, including during REAC inspections as well as other HUD site visits, serious unsafe conditions existed, including unlocked doors and unsecured common areas that have led to people other than the tenants entering and at times living inside the properties. Deplorable conditions, such as sewage on the ground at the property, continue to plague this property.
2. Incomplete repair and renovation work to vacant units. Per the HAP Contract, the Owner has an obligation to maintain all units in decent, safe, and sanitary conditions. Vacant units at this property have fallen into disrepair and remain unlivable.
3. The plan offered by the Owner of the properties did not include source of funding information or a time line, making it wholly unreliable. The plans of the Owner to repair and renovate the units at Warren Apartments, Tulane I Apartments and Tulane II Apartments are incomplete and offer no details or specifications that would allow HUD to assess the validity or sufficiency of the plan, meanwhile tenants continue to live in condition that are not decent, safe, and sanitary.

Effective immediately, we are abating the Section 8 subsidy payments for all units at the Project pursuant to the HAP Contract, which states in part:

6) Maintenance and Operation. The Owners agrees to maintain and operate the Contract Units, unassisted units, if any and related facilities to provide decent, safe, and sanitary housing including the provision of all the services, maintenance and utilities.

20) Defaults by PHA and/or Owner. (b)(2) If the Owner fails to respond or take action to the satisfaction of HUD, HUD shall have the right to take corrective action to achieve compliance, in accordance with paragraph (b)(3) or to terminate this Contract with HUD approval, in whole or in part, or to take other corrective action to achieve compliance in its discretion, or as directed by HUD.

Further, 24 CFR §5.703 specifies that, "HUD housing must be decent, safe, sanitary and in good repair."

Additionally, HUD is rejecting the Owner's planning proposal that was received by HUD on November 24, 2015. The Owner's proposal does not disclose any details of the source of funding or the time that will be required to complete any of the proposed repairs. Each of these reasons supports HUD's decision to reject the proposal as unacceptable.


The Owner has long been on notice that conditions at the property put the residents at risk. Despite this notice, significant health and safety conditions still exist at Warren Apartments, Tulane I Apartments and Tulane II Apartments, as verified by HUD staff during an on-site visit on January 25-26, 2016. You have been provided with photographs taken during that visit.

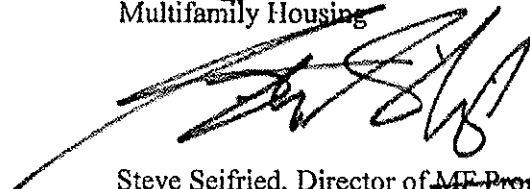
Therefore, we have instructed the CFO Accounting Center to abate payment on all of the units at the property effective immediately. Please note that, effective immediately, you cannot accept new Section 8 tenants at the property. Further, you may not increase the Section 8 tenants' share of their rent during their lease term, or pending the relocation of those eligible Section 8 tenants to decent, safe and sanitary housing.

Finally, HUD directs the Owner to submit a full accounting of the finances at each of these properties throughout the entire duration of the Owner's tenure. HUD additionally requires that any disbursement by the Owner of project income for purposes other than maintaining and repairing the project when the properties were not in decent, safe, and sanitary condition must be restored to a project account that is acceptable to HUD.

We look forward to your expected cooperation during our relocation of eligible families. If you have any questions regarding the relocation of the tenants, please contact [REDACTED] or [REDACTED] Atlanta Field Office, at [REDACTED]. If you have any questions regarding this notice, please contact [REDACTED] Office of General Counsel at [REDACTED].

Sincerely,


Priya Jayachandran
Deputy Assistant Secretary
Multifamily Housing


Steve Seifried, Director of ~~MF Programs~~ **Section 8 Contract**
Tennessee Housing Development Agency **ADMINISTRATION**

cc:

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