



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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OFFICE OF GENERAL COUNSEL  
DEPARTMENTAL ENFORCEMENT CENTER

DATE

**VIA FACSIMILE**

**(334) 954-4496**

**VIA EMAIL**

**revrichard@gmfonline.org**

Rev. Richard L. Hamlet, President  
GMF – Preservation Affordability Corp., Member  
GMF – Jacksonville Pool, LLC  
65 Germantown Court, Suite 409  
Cordova, TN 38018

SUBJECT: Eureka Garden Apartments  
Contract No. FL29M000065  
REMS No. 800004072  
Jacksonville, FL  
Cease and Desist Distributions

Dear Rev. Hamlet:

The purpose of this letter is to direct GMF – Jacksonville Pool, LLC (“GMF”) to take certain action regarding federally funded properties. The Eureka Garden Apartments, a GMF property, has been in poor physical condition since the assignment of the Housing Assistance Payment (“HAP”) Contract to you on December 12, 2012. HUD informed you on December 10, 2015 that GMF is in default of the HAP for Eureka Garden Apartments. HUD now directs you to take no further distributions from Eureka Garden Apartments until such time as GMF has restored the property to decent, safe, and sanitary conditions as determined by a HUD inspection of the property. HUD also directs you to return any and all distributions taken by GMF from December 12, 2012 to date.

HUD regulations require owners of properties receiving Section 8 subsidies to comply with certain requirements, including but not limited to: “For the life of the [Section 8 HAP Contract and any assignments or renewals], project funds may only be distributed to profit-motivated owners at the end of each fiscal year of project operation following the effective date of the Contract after **all project expenses have been paid**, or funds have been set aside for payment, and all reserve requirements have been met.” 24 CFR 880.205. Project expenses include any repairs or maintenance work needed to bring the property into compliance with HUD’s standard of decent, safe, and sanitary housing.

In the HAP Contract, effective October 1, 1998, Section 2 provides a warranty from the Owner that all units will be kept in “good and tenantable condition and meet HUD’s Housing

Quality Standards.” Additionally, per Section 5 of the contract, every month the owner must submit a request for funds that contains a certification that the units are in decent, safe, and sanitary condition and that the amount of funds requested is correct.

HUD, in its role as regulator, incurred damages by GMF’s on-going acceptance of Section 8 funding, while allowing the properties in its portfolio to remain or fall into disrepair. HUD is authorized under the HAP Contract to seek appropriate relief.

As shown by HUD’s October inspection, as well as other inspections and issues that have arisen since, GMF has failed to maintain Eureka Garden Apartments in decent, safe, and sanitary condition. Despite numerous warnings from HUD as well as other governmental entities, including but not limited to the City of Jacksonville and the U.S. Department of Transportation, problems remain in the majority of the units at Eureka Garden Apartments. GMF has neglected to maintain the 400 units at this property, as well as the common areas, in the condition that is required by the HAP Contract and HUD regulations.

Throughout the duration of your tenure as owner of the Eureka Garden Apartments, you may have received significant distributions of project funds. HUD records show that Eureka Garden Apartments made a distribution of \$139,155 in 2014 to GMF. Also, according to the Audited Financial Statements you submitted to HUD for 2013 and 2014, additional surplus cash existed from the Eureka Garden Apartments:

2013: Eureka Garden Apartments, No. 1 (No. FL29M000065) Surplus Cash: \$255,059  
2013: Eureka Garden Apartments, No. 2 (No. FL29M000066) Surplus Cash: \$183,060  
2014: Eureka Garden Apartments, No. 1 (No. FL29M000065) Surplus Cash: \$324,461  
2014: Eureka Garden Apartments, No. 2 (No. FL29M000066) Surplus Cash: \$223,461

As a result of the lack of repairs and maintenance observed by HUD as well as the continued failures to correct problems discovered by on-going inspections, GMF – Jacksonville Pool, LLC is directed to cease and desist distribution of project funds to any entity and for any purpose other than the operation, repair, and maintenance of Eureka Garden Apartments until such time as HUD deems the property as meeting the physical condition standards required by the HAP Contract and HUD regulations at 24 CFR § 5.70, *et. al.*

HUD directs that all funds distributed from GMF since December 10, 2012 be returned to Eureka Garden Apartments for use in repairs and restoration within 30 days of receipt of this letter and that proof of this be provided to HUD. Distributions from Eureka Garden Apartments are hereby frozen until the property is brought into compliance with the HAP Contract and HUD regulations, at which time distributions to GMF may resume.

Additionally, HUD will be examining the status of certain other properties in the GMF portfolio. Unless and until your properties meet the physical condition standard required by the HAP Contracts and HUD regulations at 24 CFR § 5.70, *et. al.*, no distributions shall be made to GMF, and all distributions taken during the period of time when the properties did not meet these standards must be returned.

We appreciate your immediate attention to the matters identified in this letter as well as your cooperation with HUD staff, both on and off-site. Any communications while represented by Counsel should be referred to Nancy Christopher (202) 402-2364. Any other communications may be referred to James Pollock, Field Coordination Officer, DEC, at (202) 245-4147.

Sincerely,

Craig Clemmensen, Director  
Departmental Enforcement Center