

JUDGE: HUD, not Nail, at fault  
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Former metro Manor manager exonerated in court.

A federal judge has ruled that the former manager of the Metro Manor apartments shouldn't be faulted for not using his investors' money to repair the dilapidated complex.

Instead, U.S. District Court Judge William Barbour said the U.S. Department of Housing and Development had a responsibility to provide enough federal funds to operate and repair the 19-building complex as part of its subsidy agreement.

J. Steve Nail, president of Intervest Corp., which managed the complex, has been criticized and fined for the unsafe conditions at the complex. He said last week he's been contending for years that the law was on his side.

"In Barbour's opinion now, it makes it very clear," Nail said.

Metro Manor, a west Jackson complex razed last year by the city, was a lightning rod of controversy in the late 1990s amid reports of rodent infestation and unsanitary living conditions.

By 2000, HUD foreclosed on the property, the tenants moved out and the U.S. attorney's office filed suit against Nail and owners of other complexes for mismanagement. Those lawsuits were eventually dismissed when the federal court ruled HUD shouldn't have continued to make payments to the owners when it knew the properties were substandard.

But in August 2000, Nail was fined \$1000 in Jackson's environmental court for not keeping the property "safe and sanitary." He said then he wanted to contest the civil charge but thought it was best to plead and move on.

HUD also barred Nail in January 2002 from renewing expiring federal contracts or entering into new ones with the government for three years. In addition to Metro Manor, HUD alleged Nail didn't keep up another property in Indianola known as Eastover.

Nail sued.

Barbour ruled Dec. 20 the debarment should be over-turned. The judge said HUD used "unsound legal theory."

The judge said HUD's decision "to debar (Nail) was arbitrary and capricious, and not in accordance with the law. " As stated above, there is an abundance of evidence that Metro Manor and Eastover properties were in fact in deplorable condition. It may be that Plaintiffs mismanaged the properties through negligence or otherwise. However, HUD based the decision to debar Plaintiffs' failure to invest private funds."

HUD officials did not return messages left on the agency's answering machine.

Since 1994, Nail said he made refinancing proposals to HUD to fund improvements. However, Nail said HUD turned him down. Shortly thereafter, he said, outside investors were able to refinance the bonds on the complexes and "sucked all the money out of the complexes."

Nail plans to recoup losses for investors from the two properties, which he estimates to be about \$3 million for Metro Manor and \$1.5 million for Eastover. He also wants to recoup management fees.

Despite the problems in Jackson, Nail was honored by HUD in 1998 for cleaning up a trouble property in Birmingham, Ala.