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March 9, 1972

The Honorable Richard B. Austin
United States Judge
219 South Dearborn Street
Chicago, Illinois 60604

Re: Gautreaux v. CHA, Romney, et al -
Land Costs

Dear Judge Austin:

Here is some information on land costs. You will recall that at our February 22 meeting in your chambers it was suggested that the cost of land might be a problem in the development of a remedial decree. I believe that some misconceptions may have been created at that meeting which it is the purpose of this letter to clarify.

A. No Statutory Limitation on Land Costs

The Housing and Urban Development Act of 1970 requires the Secretary of HUD to establish so-called "prototype costs" for the development of public housing. 42 U.S.C.A. §1415(5). However, such costs are exclusive of land costs. They relate only to the costs "for construction and equipment of such project (excluding land, demolition and non-dwelling facilities) ..." Ibid., emphasis added. To my knowledge this is the only statutory limitation on public housing costs. (The non-land prototype costs can themselves be changed by the Secretary at any time.)

B. No Administrative Limitation on Land Costs

The "prototype cost" limits for public housing, established by the Secretary of HUD, were published in the Federal Register on May 1, 1971. 36 F.R. 8213 et seq. The accompanying explanation states explicitly, "Prototype cost does not include the costs of site acquisition, site

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improvement ..." 36 F.R. 8213, emphasis added. To my knowledge HUD has not published any administrative limitations on land costs for public housing.

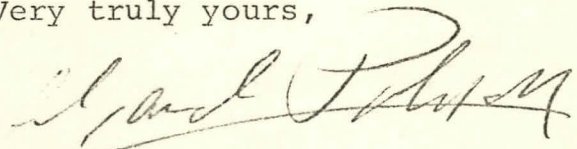
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Thus, as I understand it, the only limitation on HUD approval of land costs is that since HUD gets a limited amount of public housing dollars from Congress, the more total dollars permitted per unit the fewer the total number of units that can be produced. In a broad sense, this is a trade-off between quality and quantity which is wholly within HUD's control.

It may be of interest that for CHA's current development program (based upon the sites approved by the City Council last June) which was approved by HUD just last month, the average land cost per unit was estimated by CHA to be \$4,215, and I believe that a number of sites exceeded \$6,000 per unit. (Since some of the sites are for 15 or 18 units, land costs per location, approved by HUD, may apparently run to \$60,000 or higher.) I would be surprised if the use of such land costs would not permit development of public housing in many parts of the Chicago metropolitan area.

I am sending a copy of this letter to Bill Warnock, regional counsel for HUD, and of course to CHA's counsel as well as other counsel of record. If anything I have said about the land cost question is incorrect, I am sure they will let you know.

Very truly yours,



Alexander Polikoff

ALP:eo

cc: James Murray
William Warnock
Patrick O'Brien
Richard Curry
Alex Elson
Wilson Frost

Marylou Hedlund
Fiffer, Lasky & Widman
Harold T. Berg
Seymour Simon
Claude W. B. Holman