



THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

June 7, 1976

Mr. Alexander Polikoff, Esquire
109 North Dearborn Street
Chicago, Illinois 60602

Dear Mr. Polikoff:

Subject: The Gautreaux Litigation

This letter will confirm the understandings which, subject to submission for consideration by the District Court, HUD and the plaintiffs intend to carry out. It is intended that the steps set forth in this letter will enable the Court and the parties to the litigation to consider metropolitan-wide relief at a future point in time on a more informed basis. Neither the plaintiffs nor HUD make any representations as to what their respective positions ultimately will be regarding metropolitan-wide relief.

The said understandings are as follows:

1. HUD will develop a one year Section 8 demonstration program intended to house approximately 400 plaintiff class families in existing housing throughout the Chicago Standard Metropolitan Statistical Area (SMSA) along the following lines:
 - a. Not more than 25% of the families to be housed under this demonstration may locate in any portion of the City of Chicago or in minority areas (to be designated by agreement between HUD and the plaintiffs) of the Chicago SMSA outside of the City of Chicago. To the extent that any such families locate in the City of Chicago, it is understood that the units in which such families would be housed will be subject to existing court orders and should be treated as a separate category of units under those orders.

- b. HUD will enter into a contract with the Leadership Council for Metropolitan Open Communities under which the Leadership Council will provide the services of approximately six professional and three clerical employees to locate, counsel and assist members of the plaintiff class to find existing units, and locate owners of housing willing to participate in the demonstration program. It is intended that the Leadership Council's activities will commence on or about July 1, 1976.
- c. The Leadership Council will contact members of the plaintiff class in numbers and pursuant to a method to be determined, and will counsel and assist families who respond. These activities will be designed to house approximately 40 new subsidized families per month after the first few months.
- d. The 400 units will not be allocated among the counties, but tentative goals for distribution of such units among the counties are: approximately 100 to 150 units for Cook County, approximately 25 to 40 units for each of the other 5 counties in the Chicago SMSA and 0 to 100 units for Chicago plus designated minority areas outside Chicago. It is intended that families be located in each county in a dispersed fashion.
- e. All housing authorities in the SMSA will be given the opportunity to participate. Participating housing authorities will inspect units prior to occupancy, assist in initial occupancy, execute and administer the subsidy contract with owners, and perform the other functions of housing authorities under the Section 8 existing housing program. Housing authorities will receive the established 8 1/2% fee. The initial occupancy fee will be set at \$100, subject to adjustment by HUD, in view of the fact that services funded by HUD will be provided by the Leadership Council as referred to above. In areas where no housing authority has been organized or where an existing housing authority declines to participate, HUD will perform or cause to be performed the functions assigned to housing authorities under the Section 8 existing housing program.

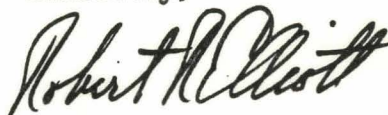
- f. HUD will amend annual contribution contracts with participating housing authorities to add the contract authority necessary to fund in full the additional number of units which each housing authority administers pursuant to the demonstration program.
2. Funding of the Chicago Housing Authority Section 8 existing housing program, as distinguished from the demonstration program under paragraph 1 above, is outside the scope of this letter. It is HUD's intention to provide additional authority to CHA for its Section 8 existing housing program to be used in accordance with such orders as are applicable in the Gautreaux litigation. In this connection, HUD initially plans to make available to CHA in the near future authority for approximately 875 family units of Section 8 existing housing.
3. Prior to June 30, 1977, HUD may invite further applications for additional authority for Section 8 existing housing programs in the SMSA outside of the City of Chicago up to the following amounts without imposition of any additional requirements or conditions by reason of the Gautreaux litigation: 1250 units on or before June 30, 1976; 500 units between July 1, 1976, and September 30, 1976; no units between October 1, 1976, and December 31, 1976; 500 units between January 1, 1977, and March 31, 1977; and 500 units between April 1, 1977, and June 30, 1977. Any units not provided to housing authorities by the close of the specified periods may be provided in the subsequent periods. Prior to June 30, 1977, HUD will not invite applications for Section 8 existing housing units in excess of the above without the consent of the plaintiffs.
4. HUD may proceed to advertise for approximately 1500 additional units of Section 8 new construction and substantial rehabilitation in the Chicago SMSA of which approximately 900 will be family units. With respect to said Section 8 family units, HUD will encourage but not require developers responding to the advertisement

or subsequent readvertisements prior to June 30, 1977, to make special efforts to house members of the plaintiff class. Prior to June 30, 1977, or such earlier date as plaintiffs file a pleading against HUD covered by paragraph 8, HUD will not advertise further Section 8 new construction or substantial rehabilitation units in the Chicago SMSA without the consent of plaintiffs.

5. HUD shall be free to transfer Section 8 authority currently allocated for use in the Chicago SMSA to the Illinois Housing Development Authority (IHDA), and to allocate additional authority to IHDA for use in the Chicago SMSA, prior to June 30, 1977, all subject to the continued existence of arrangements acceptable to the plaintiffs for the marketing of Section 8 units in the IHDA projects in which such authority is utilized.
6. Plaintiffs and HUD agree to explore actively the possibilities of housing members of the plaintiff class through utilization of the FHA multifamily program, the program to provide Section 8 assistance to multifamily projects in need of further financial assistance, and the programs for disposition of HUD acquired projects, as well as any further programs which are implemented by HUD prior to June 30, 1977.
7. Plaintiffs and HUD agree to work actively toward development of a conceptual framework for the ultimate disposition of the pending suit, for future use by the Court and the parties.
8. Plaintiffs agree to postpone seeking a metropolitan-wide relief order from the District Court for nine months from July 1, 1976, while the foregoing steps are implemented. After the expiration of the said nine month period, plaintiffs will be free to file pleadings in the Gautreaux litigation seeking metropolitan-wide relief or relief preliminary to metropolitan-wide relief, provided that in the event such a pleading is filed between April 1, 1977, and June 30, 1977, HUD shall be entitled to terminate the operation of the demonstration program under paragraph 1 above, and HUD's encouragement efforts under paragraph 4 above. Nothing in this paragraph 8 shall prevent plaintiffs from filing

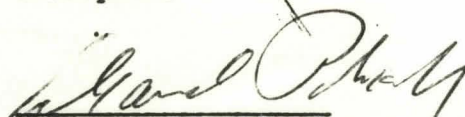
pleadings at any time seeking any type of relief from the Chicago Housing Authority, provided that any motion or pleadings seeking judicial relief to require the Chicago Housing Authority to seek authorization to operate housing programs outside of the City of Chicago and filed prior to June 30, 1977, shall be delivered in final draft to HUD at least 60 days prior to filing to enable HUD to determine what action to take in the Gautreaux litigation and under this letter, and provided further, that the subsequent filing by plaintiffs of such pleadings prior to June 30, 1977, shall relieve HUD of any obligation to continue operation thereafter of the demonstration program under paragraph 1, above, or to continue encouragement efforts under paragraph 4, above, but shall not limit or terminate any rights of HUD under this letter. Any unobligated Section 8 authority for new construction or substantial rehabilitation under paragraph 4 shall continue to be exempt after June 30, 1977, from plaintiffs' efforts in litigation to obtain metropolitan-wide relief, but only to the extent that such unobligated Section 8 authority is subsequently obligated pursuant to advertisements or readvertisements made prior to June 30, 1977. Commencing July 1, 1977, or the date on which HUD terminates the demonstration program or encouragement efforts pursuant to this paragraph 8, based upon a pleading filed by plaintiffs on or after April 1, 1977, unobligated Section 8 authority for existing housing under paragraph 3 shall not thereafter be exempt from plaintiffs' efforts in litigation to obtain metropolitan-wide relief.

Sincerely,



Robert R. Elliott
General Counsel

Accepted:


Alexander Polikoff

Date: June 7, 1976