

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

DOROTHY GAUTREAUX, et al.,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	
	)	NOS. 66 C 1459
CHICAGO HOUSING AUTHORITY and	)	66 C 1460
PATRICIA HARRIS, Successor to	)	(Consolidated)
CARLA A. HILLS, Secretary of the	)	
Department of Housing and Urban	)	
Development, et al.,	)	
	)	
Defendants.	)	

CHICAGO HOUSING AUTHORITY PROPOSAL FOR
THE ACQUISITION OF EXISTING HOUSING

In conformance with the Orders of this Court, CHA has been using its best efforts to increase the supply of dwelling units available to the Plaintiff class through the construction of scattered site housing. However, it has become apparent in recent months that rising construction costs is making it more increasingly difficult to award contracts to the low-construction bidder because of HUD Cost Limitations. HUD Cost Limitations recently published in the Federal Register of March 15, 1977 offer little hope of improvement. In view of this problem, it is Your Honor's view, and one shared by the parties hereto that viable alternatives be sought to achieve the objectives of the Court. One of the methods brought to the Court's attention is the "acquisition method" for increasing the supply of housing. This method would require the acquisition of existing improved real estate for use "as is" or after repair and/or rehabilitation. The Department of Housing and Urban Development has given recognition to this

method as being a workable alternative to the traditional method of construction, and has accordingly promulgated regulations in 24 CFR 841.401 et seq. and HUD Handbook 74171 sets forth procedures for implementation of this method.

BASIC CONSIDERATIONS

Proposals for the acquisition of existing housing to be used for housing of low-income families should give consideration to incidental problems that will arise as well as the necessity for complying with the provisions of the Uniform Relocation Assistance and Acquisition Act of 1970.

Some factors to be considered are:

1. The purchase price of the property sought to be acquired, including the costs of appraisals and negotiators.
2. The time element for relocation of existing tenants which must be no less than 90 days after acquisition of the property.
3. The relocation and moving expenses of tenants which could amount to approximately \$4,000. for relocation, plus the necessary moving costs.
 - (a) Securing and paying for the services of the Department of Urban Renewal for handling of moving expenses and relocation costs.
4. Consideration must be given to the eligibility of a landlord who owns and occupies his home for replacement housing which can result in an additional cost of \$15,000.
 - (a) Securing and paying for the services of the Department of Urban Renewal in conjunction with that phase of the relocation costs.

The acquisition of buildings containing multi-family units would be a costly and time consuming procedure. The time element of acquisition and relocation could be extensive. The relocation of residents does not effect an increase in the housing supply. Also, the element and risk of vandalism when a building is vacated is always present and is a factor which must be considered including the need for employment of guards during that period as well as during the period of rehabilitation.

It should be noted that HUD Handbook Procedures require that acquisition must be accomplished by negotiation and not by the power of eminent domain, except under special conditions.

The acquisition of existing HUD properties which have been foreclosed and are vacant and unoccupied is a more feasible operation since the cost of relocation will not be involved and acquisition costs reduced. Before the acquisition of any existing housing is undertaken an examination directed to building code violations as well as a study of the detailed cost of rehabilitation must be undertaken by CHA Engineering Department in accordance with HUD regulations. Based upon the estimated cost of rehabilitation plus the probable acquisition costs, the total investment, of course, should not exceed the cost limitations set forth in HUD regulations.

PROPOSED CHA ACTION

The problem of abandoned, vacant and vandalized HUD owned properties continues to be an important factor in the life of Chicago communities. These properties represent an inventory of potentially safe, decent and sanitary housing which could increase the supply of housing to needy low-income families of Chicago. It is apparent that HUD should take every possible action to first, reduce the rate of foreclosure, and secondly, to accelerate the pace

with which foreclosed properties are returned to useful life. To the latter end the CHA proposal is directed. HUD Handbook 7417.1 (March 1977) contains the procedures to be followed by public housing authorities in increasing the supply of housing through acquisition with or without substantial rehabilitation. Some of the requisites of this program are:

1. Site approval by HUD including inspection and notification to the local authority of work required. (Chapter 9-6, Site Approval HUD Handbook March, 1977).
2. Cost limitations - Acquisition project shall not exceed 90% of development cost. Section 841.115 (b)(3).

CHA proposes to purchase HUD owned vacant and abandoned properties of 1 to 6 units throughout the City for repair and/or rehabilitation and for rental or sale to qualified tenants and applicants of public housing. In order to provide a program for large scale rehabilitation of HUD properties it is necessary to have the assistance of the Departments of Development and Planning, Building Department of the City of Chicago, as well as the Chicago Area Office of HUD.

HUD SHOULD:

1. Schedule on a regular basis Project Planning Conferences in which the general requirements of the acquisition program shall be discussed and CHA informed of additional properties made available.
2. Provide a listing of HUD owned properties consisting of not more than six (6) units in Chicago.
3. Waive bidding requirement and deliver at minimum cost clear title free of encumbrances.

5. Expedite final site approval consistent with its regulations and ACC Commitment.
6. Where not feasible to comply, waive minimum property standards.

The Department of Planning and Development, City of Chicago should:

1. Determine any area of conflict between local agencies.
2. Establish criteria for rehabilitation consistent with the planning objectives of the City of Chicago.
3. Assistance in securing necessary approvals and permits and increasing security.

Building Department should:

1. Make initial inspections.
2. Expeditiously review for approval plans for repair and/or rehabilitation.
3. Determine applicability and effect of local building, zoning and housing ordinances.

The foregoing proposal is made without the full opportunity of CHA to examine the inventory of HUD properties available.

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