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Chicago Housing Authority

January 24, 1978

Honorable Olga Jurco, Magistrate
United States District Court
219 South Dearborn Street
Chicago, Illinois 60603

Re: Gautreaux, v. CHA
66 C 1450
66 C 1460
(Consolidated)

Dear Magistrate Jurco:

Attached hereto is the Chicago Housing Authority proposal relating to the use of the acquisition method in increasing the supply of housing to low-income families.

Very truly yours,

CH
Calvin H. Hall
General Counsel

CHH:jms
Attachment
CC: A. Polikoff
J. Jensen

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

DOROTHY CAUTREAUX, et al.,

Plaintiffs,

vs.

GEORGE W. ROMNEY and
CHICAGO HOUSING AUTHORITY,
et al.,

Defendants.

NOS. 66 C 1459
66 C 1460
(Consolidated)

PLAN FOR INCREASING THE SUPPLY OF HOUSING FOR
LOW-INCOME FAMILIES THROUGH NEW CONSTRUCTION
AND ACQUISITION WITH SUBSTANTIAL REHABILITATION

The Department of Housing and Urban Development promulgated regulations in the Federal Register (24CFR 841.401 et seq) on January 31, 1977 providing for an alternative to the traditional method of public housing. The alternative permits the acquisition of existing housing for leasing to low-income families either with rehabilitation and without rehabilitation where not needed. In accordance with understandings reached in pre-trial conference with the Master, CHA established basic criteria to screen blocks in the General Public Housing Area determined to be either in a "slum and blighted area" or "deteriorated or deteriorating" area where CHA could, pursuant to its statutory powers, acquire existing buildings for the purpose of providing additional housing for the plaintiff class. Attached as Attachment A is a copy of a map showing the distribution of 79 blocks in the general public housing area which have been determined

by established criteria to be either "slum and blighted", or "deteriorating areas".

A summarization of the status of CHA's present allocation of units for low-income families is as follows:

Program Reservation 2E	1,500 units
Constructed or under construction contract.....	114
Balance of Reservation 2E.....	1,386
Under ACC but not under construction contract....	153
Units yet to be put under ACC	1,233

If HUD established policy is followed in the preparation of a development program and the analysis of construction bids and recent experience in bids received for new construction continues, it is obvious that detached and semi-detached buildings cannot be bid within HUD Prototype Limits. There is some doubt that even 6-flat structures can be developed. However, it is in this area that the greatest potential for approval exists and the new construction portion of this plan limits itself to 6-flat structures only, all 3 bedroom.

Insofar as Acquisition with Substantial Rehabilitation is concerned, HUD 7417.1 (March, 1977) Chapter 9 covers policy and procedures to be followed and certain pertinent excerpts from that publication are summarized below:

1. "All arrangements with owners for acquisition . . . must be accomplished by negotiation and . . . eminent domain, or the threat of its use, may not be employed by the PHA unless the parcel is needed to "round out" a neighborhood revitalization project. . .".
2. Factors to consider in evaluation of properties are (a) the design and quality of original construction, (b) feasibility and cost of relocating site occupants, and (c) effect of local building and zoning codes.

3. Suggested source of properties are Government owned, HUD-Owned, HUD-Held or HUD-Insured or such properties in danger of foreclosure.
4. HUD will provide a list to PHA of properties in categories listed above.
5. Consideration should be given to privately owned properties which are in default or under a distressed mortgage. HUD strongly urges the PHA to acquire such properties.
6. HUD Field Office is available to help arrange contacts with Federal Agency staffs.
7. "Properties Needing Repair, Alteration and/or Rehabilitation shall, after completion, comply with HUD Minimum Property Standards for Rehabilitation. . .".
8. The PHA shall submit required HUD forms and request Tentative Site Approval. A HUD team will inspect the property to determine its acceptability.
9. The PHA shall later submit required HUD forms and request Final Site Approval. HUD will again inspect the property to determine the acceptability of the property and the adequacy of planned rehabilitation. The HUD appraiser member of the team will determine the "as is" value of the property.
10. The Total Development Cost of an Acquisition with Substantial Rehabilitation project may not exceed 90% of the imputed development cost of a comparable hypothetical newly constructed project. This maximum (within Regional Office Approval Authority) is derived by multiplying current Prototype limits by 110%, the result by 175% and that result by 90%. The effect of this is tabulated in Attachment "B".

It is the position of the Authority that the development of housing should include additional housing in areas where there is critical need, where the development of new or the rehabilitation of existing structures will have maximum impact on revitalizing a deteriorating or deteriorated neighborhood and where the ultimate location of a family can be accomplished with the least possible disruption of their personal lives. Accordingly, the plan that is herein proposed encompasses new construction and rehabilitation with these units to be developed in the General Public Housing Area and the Limited Public Housing Area on a 1 to 1 basis.

CHA is obligated to acquire in Slum and Blighted, Deteriorated or Deteriorating areas. To determine where these existed, staff obtained data from Chicago Area Geographic Information, University of Illinois which was compiled from the latest census and computerized to show, in part, Census Blocks where existing units were deficient in regard to having amenities that are today considered normal and necessary for safe, sanitary and decent family living. Each deficiency was assigned a point value and each Census Block was scored on the basis of total points for all deficiencies. Those blocks that scored above 20 points were categorized as Slum and Blighted, Deteriorated or Deteriorating. Within the General Public Housing Area, some 79 blocks were so identified.

Staff then undertook a personal, block by block inspection and recorded the number of vacant sites, number of frame structures and number of masonry structures with story height of each as well as number and description of

vacant, boarded up masonry structures. The results of that inspection was:

No. vacant, boarded up masonry structures..... 8

No. occupied, masonry structures..... 675

111 - 1 story dispersed in 36 blocks
22 - 1-1/2 story dispersed in 14 blocks
318 - 2 story dispersed in 78 blocks
185 - 3 story dispersed in 60 blocks
39 - over 3 stories dispersed in 22 blocks

No. vacant, residentially zoned lots 23

16 zoned R-3 (not suitable for 6-flats)
5 zoned R-4
2 zoned R-5

Specific buildings and addresses will be compiled within 30 days after final approval of the proposed plan. An in-depth analysis has not been made of areas in the Limited Public Housing Area but it is a known fact that substantial vacant land exists as well as many masonry structures that are habitable. Any problems encountered in selecting sites and buildings in the LPHA will come from too wide a selection rather than any inadequacy. A review of Attachment "B" will show that HUD has some very definite limitations on Total Development Cost for Rehabilitation and that estimated costs for relocation of site occupants represents a significant portion of the cost of rehabilitating occupied structures. In order to minimize this cost as well as lessening the disruptive effects of relocating families, it is proposed to concentrate our efforts in the 79 previously described Census Blocks and to have our initial efforts directed towards acquisition and rehabilitation of vacant buildings. Following closely behind will be the acquisition of existing occupied structures and planning the relocation of those tenants into the newly rehabilitated apartments. Other

families will be screened and ready to move from another occupied structure scheduled for rehabilitation into the newly constructed or rehabilitated units. Although this will require maximum coordination and cooperation between CHA, HUD and DUR, it is felt that this method will allow the maximum number of units to be constructed and rehabilitated, while having a significant effect in reducing overall costs and maximizing the potential for development within established HUD cost limits.

As soon as possible after the plan is approved by the Commissioners and the Court, HUD should compile and make available to CHA a list of suitable properties that are Government Owned, HUD-Owned, HUD-Held or HUD-Insured and other properties which are in danger of foreclosure. In addition, HUD should provide assistance in arranging contacts with Federal Agency Staffs so that information can be obtained showing any properties purchased with Assistance from the Veterans Administration which are now under distress. CHA will seek listings of potential buildings from Local Savings and Loan Associations or other lending institutions who have distressed mortgages and are willing to disclose the names of owners. In addition, the Chicago Building Department would be requested to compile a list of buildings that are known to have numerous code violations where the owner has not shown an overwhelming desire to invest funds to correct these deficiencies.

PHASE I OF THE PROPOSED PLAN

As stated herein, there is under Annual Contributions Contract Authority in Program Reservation 2E (among the total of 1500 units) an allocation of 153 units for traditional new construction public housing. Pursuant to the Order of this Court this allocation must be used for new

construction in the General Public Housing Area of Chicago or within Cook County, Illinois. In giving recognition to areas of the greatest housing need as well as providing housing on scattered sites throughout Chicago in accordance with the spirit of the Court's Order, CHA proposes modification of the July 1, 1969 order of this Court to permit the rehabilitation or construction of low-rent housing both in the General Public Housing Area and Limited Public Housing on a 1 to 1 basis and that CHA make application to HUD for modification of the Annual Contributions Contract Authority to permit the rehabilitation of housing in accordance with the Acquisition Method as outlined in HUD Manual 7417.1 (March, 1977)*. Initially, CHA would acquire vacant buildings within the areas designated slum and blighted or deteriorating in accordance with the established criteria and so designated in the General Public Housing Area and on an equal basis in the Limited Public Housing Area using the same criteria. On the basis of its study over the past 3 months, CHA will establish an inventory of buildings in the General Public Housing Area for which preliminary site approval would be requested. Upon approval of modification of the Annual Contributions Contract for 153 units and subject to Court approval, CHA will proceed as follows:

1. Application for Program Reservation - CHA will seek modification of Program Reservation 2E to include acquisition of existing buildings with rehabilitation in accordance with HUD Manual 7417.1 (March, 1977).

* It should be noted that the Court as recently as September 27, 1977 has entered exceptions to its Order of July 1, 1969 to permit Section 8 Housing Assistance Payments for The Webster Apartments and the Paul G. Stewart Apartments in the Limited Public Housing Area in recognition of the critical need for housing of low-income families in Chicago.

2. Tentative Site Approval - Existing buildings within the areas outlined would be included in an application for tentative site approval. Additional vacant sites to accommodate 6 or more units would be included in this report. Upon receipt of Tentative Site Approval, CHA would seek 60 day offer-options from owners subject to HUD Appraisal. The 60 day offer-option will permit opportunity for appraisal and final site approval. Notification from HUD of the approved acquisition price will establish the sales price of the individual parcel.
3. Final approval of Development Program would follow final site approval and would include a work write-up outlining the extent of rehabilitation and the estimated cost of construction in the case of new construction.
4. Final step in rehabilitation prior to commencing bidding procedures shall take into consideration conventional methods, as well as force labor.
5. The initial source for existing building sites and vacant sites shall be:
 - a. Existing buildings enumerated in the current CHA survey in the General Public Housing Area.
 - b. Sites owner by CHA both in the General Public Housing and the Limited Public Housing Area.
 - c. HUD vacant and abandoned buildings secured from HUD.
6. Community Resource Agencies for the location and selection of additional existing buildings shall include private lending institutions, community real estate boards and

interested community groups concerned with increasing the supply of housing to needy families in Chicago.

7. Relocation - In order to avoid relocation problems and its attendant costs it is proposed that as vacant and abandoned buildings and vacant sites are rehabilitated or constructed into dwelling units qualified tenants in existing buildings being purchased by CHA for rehabilitation would be moved into these units. The effect of this ongoing procedure would provide relocation with minimum amount of temporary displacement and substantially reduced costs. Establishment of a procedure such as this is consistent with the goals of the Uniform Relocation Act.

PHASE II OF THE PROPOSED PLAN

Upon approval of the Development Plan for Phase I of this plan and after bidding procedures have established that costs are within prototype limitations, CHA shall proceed with procedures established in Phase I to secure tentative site approvals, final site approval and Development plans for the remaining 1233 units. It has been determined that maximum efficiency would require that each development plan encompass not more than 200 units. This represents a sufficiently large enough plan to give the economy of numbers without being administratively cumbersome. It is contemplated that as each Development Plan is being prepared continuous planning will be in effect to exhaust the remaining portions of the 1233 unit reservation.

CHA Staff has done considerable work in establishing areas within the General Public Housing Area where it could statutorily acquire existing buildings for rehabilitation. It should be made clear that completion of the survey did not include the inspection of buildings enumerated. This necessarily will have to await final approval of this proposed plan. Vacant sites CHA now owns which will accommodate 6 unit buildings or more will be considered in the development plans. Increasing the housing supply equally in the General and Limited Public Housing Areas will serve the needs of those persons and families who need low rent housing on a basis that deteriorating areas throughout city will be improved and local residents will have the housing they need. The proposed plan represents attainable and desirable goals.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "G. W. Master", is written over the typed name and title.

G. W. Master
Executive Director

Dated: January 23, 1978

CALVIN H. HALL
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ATTACHMENT "B"

Acquisition with Rehabilitation

<u>Current Walk-up Prototype DC&E Limits</u>	<u>Times 110%</u>	<u>Times 175%</u>	<u>Times 90% = Max. TDC</u>	<u>Less Other Costs *</u>	<u>Available for Rehabilitation</u>	<u>Contingency @ 3%</u>	<u>Max. Rehab. Contract</u>
3 BR - 25,350	27,885	48,798	43,918	20,711	23,207	696	22,511
4 BR - 27,350	30,085	52,648	47,383	20,711	26,672	800	25,872

*Other Costs ---- Est. per DU

Administration	1,580
Interest	670
Initial Operating Deficit	75
Planning	600
Acquisition	10,000
Relocation	6,833 #
CHA acquired Dw. Equip.	350
Contingency @ 3%	603
Total	20,711

#From HUD 1371.1, Relocation Handbook, Chapter 5,
Sections 3 and 4 for hypothetical 6-flat with
owner occupant:

Moving & Dislocation, per family, 6 @ 500	=	3,000
Displaced owners replacement housing payment, 1 @ 15,000	=	15,000
Displaced tenants replacement housing payment, 5 @ 4,000	=	20,000
Relocation services from DUR, per family, 6 @ 500	=	3,000
		<u>41,000</u>
1/6	=	6,833

