

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

DOROTHY GAUTREAUX, et al.,)
)
Plaintiffs,)
)
v.)
)
CHICAGO HOUSING AUTHORITY,)
PATRICIA ROBERTS HARRIS, Secretary)
of Department of Housing and Urban)
Development, et al.,)
)
Defendants.)

No. 66 C 1459
66 C 1460
(Consolidated)

O R D E R

This matter coming on to be heard on the recommendation of the Master to whom this matter has previously been referred for the entry of a proposed order, and

The court having determined that the proposed order is appropriate and in furtherance of the purposes of the judgment orders entered in this consolidated cause,

IT IS HEREBY ORDERED:

1. Plaza Courts, HUD Project No. IL06-0043-002, located on West Roosevelt Road between Kedzie and Homan in Chicago, Illinois and Douglas Development Corporation, Phase I, HUD Project No. IL06-0040-008 located at 36th and Michigan in Chicago, Illinois shall, for all purposes of this consolidated cause, henceforth be treated as exceptions to the orders previously entered in this consolidated cause and the United States Department of Housing and Urban Development may approve Section 8 housing assistance payments for these projects notwithstanding such orders.

2. The Judgment Order entered herein on September 11, 1973, as amended by the court's order of May 5, 1975, shall not be deemed to preclude HUD from approving an application from Pyramidwest Realty Management, Inc. for housing assistance payments pursuant to Section 8 of Housing and Community Development Act of 1974 for the North Lawndale project, which consists of 1,463 multi-family units in 135 buildings in the North Lawndale neighborhood of Chicago.

3. Except as and to the extent specifically provided in this Order, this court's Judgment Orders previously entered herein, as modified from time to time, remain in full force and effect, and this court retains jurisdiction of this cause for all purposes.

ENTER:

Judge, United States District Court

Dated September , 1978.

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

DOROTHY GAUTREAUX, et al.

Plaintiffs,

v.

CHICAGO HOUSING AUTHORITY,
PATRICIA ROBERTS HARRIS, Secretary
of Department of Housing and Urban
Development, et al.,

Defendants,

No. 66 C 1459
66 C 1460
(Consolidated)

M O T I O N

Defendant, Patricia Roberts Harris, Secretary, Department of Housing and Urban Development, by her attorneys, and pursuant to paragraph (3) of the order of this Court entered on May 5, 1975, hereby moves the Master to make a recommendation to the Court in substantially the form attached hereto. The purpose of defendant's motion, seeking a recommendation by the Master, is twofold. First, defendant seeks to except two Section 8 new construction projects in the City of Chicago, Plaza Courts and Douglas Development Corporation Phase I, from the orders previously entered in this consolidated cause and to permit the United States Department of Housing and Urban Development to approve Section 8 housing assistance payments for these projects, notwithstanding such orders. Second, the defendant asks the court for a declaratory judgment that the Judgment Order entered on September 11, 1973, as amended by the Court's Order of May 5, 1975, does not preclude HUD from approving an application from Pyramidwest Realty Management, Inc. for housing assistance payments, pursuant to Section 8 of the Housing and Community Development Act of 1974, for

the North Lawndale project, which consists of 1,463 multi-family units in 135 buildings in the North Lawndale neighborhood of Chicago. We will consider each of these matters seriatim.

I

Specific Project Exceptions to Court Order

1. During Fiscal year 1978, the Chicago Area Office published two Notices of Fund Availability (NOFA's), pursuant to the provisions of 24 CFR, Part 880, inviting the submission of proposals for New Construction Section 8 projects to be located in the City of Chicago.
2. After consultation and agreement with plaintiffs' representative, the Department inserted the following provision in the Developer's Packets, which were prepared pursuant to both NOFA's"

Special Requirement for New Construction Only

- (a) Proposals for new constructed non-elderly units to be located in the "Limited Public Housing Area" of the City of Chicago (as defined in judgment order dated July 1, 1969, as amended, entered in the lawsuit styled Dorothy Gautreaux et al., v. Chicago Housing Authority, United States District Court, Northern District of Illinois, Eastern Division, Civil Action No. 66 C 1459, may (1) include or be accompanied by proposal for substantial rehab or newly constructed non-elderly units having at least 1 1/2 times such proposed number of non-elderly units to be located outside the Limited Public Housing Area or (2) may be submitted separately. However if a new construction project is submitted exclusively for units in the Limited Public Housing Area, that project cannot be funded unless units 1 1/2 times such proposed number of non-elderly units have been funded in the General Public Housing Area.

3. In response to the first NOFA, which ran from 3/13/78 to 4/17/78, the Department received six proposals for family units, one in the General Area and five in the Limited Area. Of these, two have been determined to be acceptable proposals, the one in the General Area (Humbolt & Armitage) for 52 units and one in the Limited Area (36th and Michigan) for 80 units. The proposal in the General Area is being funded.

4. In response to the second NOFA, which ran from 7/12/78 to 8/16/78, the Department received three proposals, all in the Limited Area. Of these, one has been determined to be ^{an} acceptable proposal. It is located in the Limited Area (Roosevelt and Kedzie) for 48 units.

5. HUD approval of the three acceptable proposals received in response to its NOFA's would not be in accordance with the 60%/40% ratio between projects located in the General Area and projects located in the Limited Area of the City of Chicago. HUD is of the opinion that both of the acceptable proposals in the Limited Area, notwithstanding their location therein, should be funded and merit exception from the court orders in this consolidated cause.

6. Douglas Development Corporation Phase I, HUD project IL06-0040-008, is to be located on a 2-acre site at 36th and Michigan. The proposed project, a joint venture between Douglas Community Development Corporation and McHugh-Levin & Associates, consists of two buildings, each a 2 1/2-story walkup. The project contains an equal number of two and three bedroom units. Open space is provided between the buildings and parking is provided.

7. The project is located between 36th Street, Michigan Avenue, 36th Place and Wabash Avenue. It is across the street from the Raymond Elementary School, approximately four blocks southeast of the Illinois Institute of Technology and one block west and 3 1/2 blocks south of Prairie Shores and Lake Meadows. Other major institutions in the area are De LaSalle High School and Illinois College of Optometry.
8. The Douglas Development Corporation has received \$50,000 from the City of Chicago to develop a comprehensive redevelopment plan for the Douglas neighborhood. In addition, they have received \$100,000 from the Department of Human Services for implementation of the plan.
9. This project is the first stage of new construction activity for the area. Also, proposed is a Section 8 - 202 project for the elderly. Simultaneous rehabilitation efforts are going on in the ^{surrounding} general area with both private and public funds. The City has also designated the area to receive Community Development Block Grant monies. Several of the buildings in the area have architectural significance and will be protected under the urban development plan for the area.
10. In HUD's opinion, the Douglas Development Corporation Phase I project represents an important contribution to the revitalization of the neighborhood, and will assist in the comprehensive redevelopment efforts, both public and private, which are taking place in the Douglas area.
11. Plaza Courts, HUD Project IL06-0043-002, is to be located on a 2.9 acre site on the south side of Roosevelt Road between Kedzie and Homan. The project is proposed by Pyramidwest Realty Management, Inc., as general partner, and Pyramidwest Development Corporation and Douglas

Park Development Corporation as limited partners. Pyramidwest works closely with the Lawndale People's Planning and Action Council which is the major community organization in the area. The project consists of twelve townhouse buildings containing 48 units, twelve 2-bedroom and thirty six 3-bedroom units.

12. The project is part of an overall redevelopment program for the area bounded by the Eisenhower Expressway on the north, Oakley and Western on the East, Cermak Road on the South and the City Limits on on the West. Already approved and occupied is the California Gardens Nursing Home (302 beds). Lawndale Terrace, a 120-unit project for the elderly has received a Section 8 fund reservation. The Department of Housing and Urban Development has approved, subject to a court order exception, a request to sell 1463 HUD-owned units with Section 8 subsidy to Pyramidwest through the City of Chicago, which will then be rehabilitated by Pyramidwest. These units are currently in, or in the process of being added to, HUD's inventory of properties.

13. The City of Chicago has selected this area to receive community development block grant funds and has applied for a Neighborhood Strategy Area grant for Section 8 rehabilitation funds. A new high school, Collins, was built in 1975 in Douglas Park and a new police station and fire house were erected in 1976. Douglas Park now has a swimming pool and Douglas Boulevard has been beautified with Model Cities funds.

14. Private development in the area includes a new Sear's Roebuck and Company warehouse that cost approximately \$1.5 million, a new shopping center in which Community Discount has leased 115,000 square feet of space. Another major tenant is expected to lease 45,000 square feet

in the near future in this plaza. The Community Bank of Lawndale ^{is} was created in June, 1977. Currently it/occupying temporary headquarters and it will move to the Lawndale Plaza shopping center site.

15. In HUD's opinion, Plaza Courts represents an important contribution to the revitalization of the neighborhood, and will assist in the comprehensive redevelopment efforts, both public and private, which are taking place in the Garfield area.

II

The North Lawndale Project

16. Pyramidwest Realty and Management, Inc. is a wholly owned subsidiary of Pyramidwest Development Corporation. Pyramidwest Development Corporation is a community development corporation with investments in a variety of businesses in the North Lawndale Community. The voting stock of Pyramidwest Development Corporation is spread among some 2,000 residents of the North Lawndale community. Pyramidwest Development Corporation and Pyramidwest Realty and Management, Inc. have worked closely with the City of Chicago, the United States Community Services Administration and Economic Development Administration of the United States Department of Commerce, and the United States Department of Housing and Urban Development to encourage and assist in the residential, commercial and industrial redevelopment of the North Lawndale area.

17. Pyramidwest Realty and Management, Inc. has proposed to the Department of Housing and Urban Development to purchase, with Section 8 rent assistance, 1,463 dwelling units, hereinafter referred to as the North Lawndale project. ^(List attached) Section 8 assistance would be provided pursuant to the provisions of 24 CFR, Part 886, Subpart C. ~~(List attached)~~

18. All of the properties in the North Lawndale project are either owned by HUD or have mortgages assigned to HUD or have mortgages insured by HUD. The proposal provides that HUD would acquire title to properties it does not already own and convey all properties to the City of Chicago, which in turn would reconvey them to Pyramid-west.
19. All of the properties in the North Lawndale project were originally constructed or rehabilitated under one of the mortgage insurance programs authorized under the National Housing Act. Each of the properties has been or is being acquired by HUD after mortgage default through foreclosure or by means of deeds in lieu of foreclosure. All of these acquired or soon-to-be acquired properties are part of HUD's property disposition inventory.
20. All of the dwelling units in the North Lawndale project are generally within the North Lawndale Community. The population of this area is more than 95% minority. Between the years 1960 and 1970, there was a 25% decline in the number of housing units in the area. It is estimated that the population has declined further since 1970. Unemployment in the area was more than 11% in 1970. In that year the median income was \$6,972 per household, and more than 39% of the households qualified for public housing.
21. Under HUD regulations, 24 CFR §290.10, the disposition of HUD-owned multifamily projects shall be carried out, to the extent feasible, in accordance with the following objectives:
- (a) To reduce the inventory of HUD-owned projects in such a manner as to ensure the maximum return to the mortgage insurance funds consistent with the need to preserve and maintain urban residential areas and communities, and to protect the financial interests of the Government by obtaining a satisfactory return based on the project's present market value and anticipated future use.

(b) To maintain through a rental subsidy, or otherwise, rents at levels low-to-moderate-income families can afford, if the project was intended to serve low-to-moderate-income groups.

22. HUD has no other source of rental subsidy funds with which it can dispose of its subsidized acquired projects other than Section 8 housing assistance funds.

23. The North Lawndale project will assist the Department in attaining several objectives, namely: to maintain the amount of decent, safe and sanitary housing stock affordable by lower-income families, to minimize displacement of tenants, to preserve and revitalize residential neighborhoods, and to reduce the number of HUD-owned properties in a manner consistent with meeting the Department's property disposition objectives.

24. On September 13, 1978, HUD Secretary Patricia Roberts Harris announced approval of Pyramidwest's proposal for the North Lawndale Project, but stated that HUD's action was subject to approval by the court in this proceeding. (copy attached).

25. HUD urges the Master to recommend and the court to enter an order holding that the prior orders entered in this consolidated cause shall not be deemed to preclude HUD from approving Pyramidwest's proposal for the North Lawndale Project for the following reasons:

A. HUD approval of Section 8 assistance for the North Lawndale project will not increase minority concentration in the area, because the housing units are already occupied predominantly, if not exclusively, by members of minority groups. The North Lawndale project consists of existing dwelling units and not new construction.

B. The North Lawndale Project will maintain the amount of decent, safe and sanitary housing stock affordable by lower-income families and will contribute to the preservation and revitalization efforts, public and private, that are taking place in the North Lawndale area.

C. The North Lawndale project will assist HUD in attaining its property disposition objectives as set forth in 24 CFR, Part 290.110.

D. The allocation of Section 8 funds for the North Lawndale project is from a special HUD Central Office allocation of funds, which is separate and distinct from the normal Section 8 fund allocation to the HUD Chicago Area Office. Thus HUD approval of the North Lawndale project will not reduce Section 8 funds otherwise available to the HUD Chicago Area Office.

Defendant further represents that it has discussed the modifications of court order herein proposed with attorneys for the plaintiffs, who agree that the interests of the plaintiff class will be served by the modifications proposed. Attorneys for the Chicago Housing Authority have registered no objection to the proposed modification.

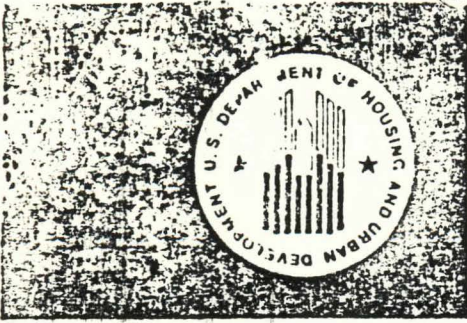
Respectfully submitted,



JOHN JENSEN
Associate Regional Counsel, Region V
U. S. Department of Housing and Urban
Development

Dated: Sept 19, 1978

Office of Regional Counsel, Region V
U. S. Department of Housing and Urban Development
300 South Wacker Drive - Room 2134
Chicago, Illinois 60606 (353-6961)



HUD NEWS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD-No. 78-308
Phone (202) 755-5284
(Tom Bacon)

FOR RELEASE:
Wednesday
September 13, 1978

CHICAGO PROJECT IS FIRST UNDER A NEW HUD ASSISTANCE PROGRAM

Secretary Patricia Roberts Harris of the Department of Housing and Urban Development today announced that a rehabilitation effort involving over 1,400 units of housing in the North Lawndale Section of Chicago is the first to benefit under a new HUD initiative.

The initiative, the result of an amendment to the Section 8 Existing Housing Assistance Program, allows the sale of HUD-owned housing units with Section 8 rental assistance. Under Section 8, the apartment owner receives a subsidy to make up the difference between what low-income tenants can afford to pay (not to exceed 25 percent of annual income) and the fair market rent.

In making the announcement, the Secretary said, "This new approach will complement the Department's present efforts to restore housing, which it owns and intends to sell, to decent, safe and sanitary conditions.

"The new approach," Mrs. Harris added, "also will assist the Department in attaining several objectives, namely: to increase and maintain the amount of decent, safe and sanitary housing affordable by lower-income families, to minimize displacement of tenants, to preserve and revitalize residential neighborhoods, and to reduce the number of HUD-owned properties in:

(m-o-r-e)

a manner consistent with meeting the Department's disposition objectives."

Implementation of this approach in the North Lawndale section is subject to approval of the court administering the Gautreaux case, Secretary Harris said, because that case restricts the use of subsidies in minority-impacted areas of Chicago.

The North Lawndale project, which consists of 1,463 multi-family units in 135 buildings, is being sold to the City of Chicago and will be conveyed to Illinois Limited Partnership which was established by Pyramidwest Realty Management, Inc., a local community based management firm which now manages 1,048 of the project's units.

The sales agreement calls for a price of approximately \$2,000 per unit with provision for Section 8 housing assistance and an insured mortgage of \$21,930,000 to cover the cost of acquisition and rehabilitation.

Secretary Harris made the announcement at a joint news conference with Congresswoman Cardiss Collins, in whose district the project is located.

Noting that North Lawndale is an area consisting primarily of deteriorating small multi-family properties occupied by low-income tenants, Mrs. Harris described this as another example of the Department's efforts to revitalize distressed neighborhoods without forcing out current tenants.

"Although the President's Urban Policy places strong emphasis on neighborhood revitalization" she said, "we are well aware that neighborhoods are not just buildings--they are people, too. We cannot save our cities, our neighborhoods, by displacing their residents."

(m-o-r-e)

The community residents and the city, she reported, are keenly interested in the project and are committed both to the success and to the overall revitalization of the entire area.

"This," the Secretary noted, "is another fine example of how the Federal and local Governments can work together with the private sector and local residents to help make the dream envisioned by the President's Urban Policy become a reality."

#

Wherefore, being of the opinion that the entry of the proposed order would further the objectives of the judgment orders previously entered in this consolidated cause, I do hereby recommend that an order in the form attached hereto be entered by the District Court.

The foregoing is an interim recommendation only and is not the final Report of the Special Master called for by the Reference Order of November 7, 1974.

Respectfully Submitted,

Magistrate, United States District Court

Dated September , 1978.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
300 SOUTH WACKER DRIVE, CHICAGO, ILLINOIS 60606

REGION V

IN REPLY REFER TO:

5G

19 SEP 1978

Honorable Olga Jurco
United States Magistrate
Room 2405,
Everett Dirksen Building
219 South Dearborn Street
Chicago, Illinois 60604

Subject: Gautreux, et al. v. CHA, et al.,
Nos. 66 C 1459 and 1460 (Consolidated)

Dear Magistrate Jurco:

I am enclosing herewith a copy of a Motion, Master's Recommendation, and proposed Court Order, which I intend to present to you, on behalf of the Department, at your September 19th session. I believe the pleadings are self-explanatory; however, I will be happy to provide whatever further information and/or documentation that might be requested by Your Honor or by other parties to this proceeding in connection with this matter.

As you are aware, the Department's fiscal year concludes on September 30, 1978. Therefore, the Department is anxious to utilize its FY 78 funds for the projects which are the subject of the proposed modifications, so that those funds might not be lost to the Chicago area.

Thank you for your assistance in this matter.

Sincerely,

Richard J. Flando
Regional Counsel

Enclosures

cc: Alexander Polikoff ✓
Calvin Hall