

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

DOROTHY GAUTREAUX, et al.,	)	
	)	
Plaintiffs,	)	
	)	
-v-	)	NO. 66 C 1459
	)	66 C 1460
	)	(Consolidated)
PATRICIA R. HARRIS, Secretary of	)	
the U.S. Department of Housing and	)	
Urban Development and CHICAGO	)	
HOUSING AUTHORITY, et al.,	)	
	)	
Defendants.	)	

MOTION FOR FURTHER RELIEF AGAINST
DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT

Now come plaintiffs, by their attorneys, and move the Court to grant further relief against defendant, the United States Department of Housing and Urban Development. In support of their motion plaintiffs say:

I.

1. This motion seeks further relief against defendant, the Department of Housing and Urban Development ("HUD") for the reasons that -

(A) only a negligible amount of remedial housing has so far been provided to members of the plaintiff class,

(B) HUD has power under the Housing and Community Development Act of 1974 and under its own regulations to require the City of Chicago to provide more such housing, and

(C) on information and belief HUD declines to exercise its power to that end.

II.

2. In February 1969, this Court found that defendant Chicago Housing Authority ("CHA") had administered subsidized housing in the City of Chicago (sometimes the "City") in an unconstitutionally discriminatory manner. (296 F.Supp. 907.) On July 1, 1969, the Court entered an order that, among other things, directed CHA to construct public housing in white areas of the City as well as black, to "affirmatively administer its public housing system...to the end of disestablishing the segregated public housing system which has resulted from CHA's unconstitutional site selection and tenant assignment procedures," and to "use its best efforts to increase the supply of Dwelling Units as rapidly as possible...." in conformance with provisions of the order. (304 F.Supp. 736, 741.) Among other things the order required that the increased supply of subsidized housing it contemplated should be located predominantly in white residential areas of the City, defined in the order as the "General Public Housing Area."

3. In September, 1971, the U.S. Court of Appeals for the Seventh Circuit held that by knowingly approving and funding CHA's discriminatory program HUD had exercised its powers "in a manner which perpetuated a racially discriminatory housing

system in Chicago" and that such actions were "racially discriminatory in their own right." (448 F.2d 731, 739.)

4. On September 11, 1973, this Court rejected plaintiffs' proposed metropolitan remedial order against HUD (that is, an order not confined to the geographic limits of Chicago but embracing the entire six-county Chicago Housing Market Area), and instead entered an order directing HUD to use its "best efforts to cooperate with CHA in its efforts to increase the supply of dwelling units." (363 F.Supp. 690, 691.)

5. Plaintiffs appealed from the rejection of their proposed remedial order against HUD. In August 1974 the Court of Appeals for the Seventh Circuit reversed. (503 F.2d 930.) On April 20, 1976, the U.S. Supreme Court affirmed the judgment of the Court of Appeals and remanded the case to this Court for further proceedings. (425 U.S. 284.)

6. Following the Supreme Court decision, HUD and the plaintiffs entered into an agreement dated June 7, 1976, and a subsequent amendment of July 29, 1977, copies of which are attached hereto as Exhibits A and B. Among other things, such agreements provide that HUD will establish a metropolitan remedial housing program for the plaintiff class and that, subject to certain conditions, plaintiffs will not during the life of the agreements ask this Court on remand to enter a metropolitan remedial order against HUD. Accordingly, the

agreement of July 29, 1977 being still in effect, this cause has never been called on for hearing before this Court pursuant to the remand order of the Supreme Court.

7. The agreements of June 7, 1976 and July 29, 1977 do not preclude plaintiffs from seeking further relief against HUD within the geographic boundaries of the City. That is the purpose of this motion.

III.

8. The plaintiff class consists of some 30,000 families who are tenants of or applicants for housing owned or administered by CHA.

9. Under the remedial orders of July 1, 1969, against CHA and September 11, 1973, against HUD, and various modifying and supplemental orders subsequently entered, and under the metropolitan remedial housing program established under the agreements of June 7, 1976, and July 29, 1977, the relief afforded to members of the plaintiff class within the City of Chicago has been and continues to be negligible. In the aggregate, since the entry of such orders, fewer than 400 remedial housing units have been provided to members of the plaintiff class in the General Public Housing Area of the City, as follows:

(a) There has been virtually no new construction in the General Public Housing Area of the City under the conventional public housing program for families, a subsidized housing program that was in existence on July 1, 1969, and still continues to exist. Only about 100 units of public housing have been completed or are under construction under the provisions of the July 1, 1969 order, notwithstanding CHA has for many years had an unused "reservation" of federal subsidy funds from HUD sufficient for approximately 1,200 units of public housing.

(b) There has been virtually no new construction in the General Public Housing Area of the City under the so-called Section 8 Rental Subsidy New Construction Program for families, a federally assisted housing program that was enacted in 1974 and is available as a means of providing relief to the plaintiff class by virtue of this Court's order of May 5, 1975, and various modifying and supplemental orders.

(c) Extremely limited relief has been provided under the so-called Section 8 Rental Subsidy Leasing Program, likewise enacted in 1974 and likewise available as a means of providing relief to the plaintiff class by virtue of this Court's order of May 5, 1975, and modifying and supplemental orders. Fewer than 500 units have been provided to members of the plaintiff class under this program, and only about half of these have been in the General Public Housing Area of the City.

(d) Extremely limited relief has been provided under the agreements of June 7, 1976 and July 29, 1977. Fewer than 500 units have been provided to members of the plaintiff class under these agreements, only about 50 of these have been in the City of Chicago, and only about 30 of these have been in the General Public Housing Area of the City.

(e) A large proportion of plaintiff class families are "large families," i.e., families who under HUD and CHA rules require apartments containing three or more bedrooms. Virtually none of the remedial housing units thus far provided to the plaintiff class in the General Public Housing Area of the City contain three or more bedrooms, and the large family "subclass" of the plaintiff class has therefore been provided virtually no relief at all.

IV.

10. HUD is the federal agency charged with administering the Community Development Block Grant Program (the "CDBG Program"). In that capacity HUD has the power and the opportunity to facilitate the provision of additional remedial housing for members of the plaintiff class within the General Public Housing Area of the City of Chicago, but so far has failed and refused to employ its powers to that end.

11. The CDBG Program was established by Title I of the Housing and Community Development Act of 1974, 42 U.S.C. §5301 et. seq. Among other things the Act provides,

The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this primary objective, the Federal assistance provided in this title is for the support of community development activities which are directed toward the following specific objectives -

* * *

the conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income.

* * *

the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income....

42 U.S.C. §§5301(c)(3) and (6).

12. Under the CDBG Program, units of general local government submit an annual application to HUD requesting funding for various types of community development activities, including, for example, property acquisition, clearance, demolition, disposition, rehabilitation, public improvements and public services.

13. As a prerequisite for funding under the CDBG Program, each application must be accompanied by a housing assistance plan (sometimes "HAP"). The HAP must (1) survey the condition of the existing housing in the community; (2) assess the housing assistance needs of lower-income persons; (3) specify a realistic annual goal for the number of dwelling units or persons to be assisted, including the relative proportion of new, rehabilitated and existing units; and (4) indicate the general location of proposed housing for lower-income persons. 42 U.S.C. §5304(a)(4).

14. Among the objectives to be furthered by indicating the general location of proposed lower-income housing is to "[promote] greater choice of housing opportunities and [avoid] undue concentrations of assisted persons in areas containing a high proportion of low-income persons." 42 U.S.C. §5304(a)(4)(C)(ii).

15. In the case of the City of Chicago the HAP in addition "must address itself to the needs of the plaintiffs in the Gautreaux litigation." (Letter, HUD Area Office Director John L. Waner to Mayor Richard J. Daley, November 25, 1974, attached hereto as Exhibit C, and letter, John L. Waner to Mayor Daley, April 28, 1975, attached hereto as Exhibit D.)

16. Beginning with the fourth year CDBG application, applicants must describe, as part of the HAP, "a program of actions" designed to carry out the HAP. 24 CFR §570.306(b)(4).

17. The City submitted CDBG applications to HUD, including Housing Assistance Plans, for the first, second and third years of the CDBG program in 1975, 1976 and 1977, respectively. In each year HUD approved the City's application and allocated federal funds for the City's CDBG program in amounts, respectively, of approximately \$43 million for CD Year I, \$43 million for CD Year II and \$61 million for CD Year III.

18. On or about July 15, 1978, the City submitted its application to HUD, including its HAP, for the fourth community development year (October 1, 1978 to September 30, 1979), seeking funding of approximately \$112 million. HUD must act on the City's application by September 27, 1978. 42 U.S.C. §5304(f).

19. HUD regulations mandate that in determining the acceptability of housing assistance plans, "HUD shall consider an applicant's past performance in providing assisted housing pursuant to the performance standards for implementing housing assistance plans set forth in §570.909...." 24 CFR §570.306(c)(1)(viii).

20. In considering the City's CD Year III application HUD criticized the City's poor HAP performance and recommended that the City implement a number of remedial measures. In a letter to the City dated August 1, 1977, HUD noted that the City made "little effort...to encourage CHA to use the fund reservation for 1,200 units of traditional public housing which has been reserved since 1971 and very little progress has been made

since then." (Letter, John L. Waner to Mayor Bilandic, August 1, 1977, attached hereto as Exhibit E.) In a letter to the City dated August 22, 1977, HUD recommended, among many other recommendations, that the City "identify developable sites" for CHA family public housing and work with both CHA and private developers "to get development going" under CHA's program reservation. (Letter, Elmer C. Binford to Mayor Bilandic, August 22, 1977, attached hereto as Exhibit F.) In a letter to the City dated September 28, 1977, approving the City's third year CDBG application, HUD expressed its "firm belief" that the City could take "additional actions... to assure better [housing] performance," and as a condition of approval of the third year grant set forth a series of actions to be taken, including a comprehensive program of affirmative actions to accomplish housing goals, with "specific timetables" to be submitted within 90 days and performance reports to be submitted in January, March, and June, 1978. (Letter, Elmer C. Binford to Mayor Bilandic, September 28, 1977, attached hereto as Exhibit G.)

21. Notwithstanding these HUD recommendations and conditions, the City's HAP performance in general, and its addressing of the needs of the plaintiff class in this litigation in particular, have been extremely poor. Exhibit H, attached hereto, is an administrative complaint filed with HUD on August 1, 1978. The complaint includes a table setting forth the City's progress in implementing its HAP goals for CD Years I

and II which demonstrates an enormous shortfall in the City's HAP performance. (Under HUD regulations progress in implementing HAP goals for Year III cannot be fully measured until the end of Year IV.) The City's progress has been particularly weak in those categories and locations that are relevant to addressing the needs of the plaintiff class, family and large family units in the General Public Housing Area.

22. When recipients have not made substantial progress in achieving their HAP goals, HUD must determine the extent to which such failure "may be due to factors not within the control of the recipient." 24 CFR §570.909(e)(2). In making this determination HUD must consider "the extent to which actions within the control of the recipient have been taken to achieve HAP goals." Ibid.

23. The City has failed to take a wide variety of actions within its control - many of which HUD has directed it to take - to implement its HAP and to provide remedial housing opportunities for members of the plaintiff class.

(a) The City has failed to take actions to facilitate the utilization of CHA's 1200-unit public housing reservation despite HUD recommendations and City promises to the contrary. For example, although the City advised HUD it would explore using CDBG funds to acquire sites in the General Public Housing Area to be transferred to CHA for family public housing construction (letter, Lewis W.

Hill to Elmer C. Binford, December 27, 1977, attached hereto as Exhibit I), upon information and belief no such acquisitions and transfers have been made. CHA's reservation of 1200 public housing units remains unutilized.

(b) HUD directed the City to "give special attention and make special efforts" with respect to family and large family housing, including "acting directly as the developer if the private market cannot provide the units." (Exhibit G.) On information and belief, the City has not given such special attention or made such special efforts, and in particular has not acted as such developer.

(c) The City has failed to use CDBG funds to acquire and resell to developers of Section 8 housing sites for new construction and buildings for rehabilitation in the General Public Housing Area, in disregard of its own commitments and HUD recommendations.

(d) The City has not provided sites and site improvements generally - with "emphasis...upon...sites which are located in the General Public Housing Area" - for Section 8 development in disregard of its own commitments and HUD recommendations. (Excerpt from City of Chicago, Year III HAP, July, 1977, attached hereto as Exhibit J.)

(e) The City has failed to submit proposals for the development of Section 8 housing, contrary to HUD

regulations and requirements. HUD regulations state that to implement their HAPs recipients themselves are to undertake "the development of Section 8 housing when notifications of funding availability are not responded to by private developers." 24 CFR §570.306(a)(3). HUD approved the City's Year III HAP with the "expectation and assumption" that the City would act "directly as the developer if the private market cannot provide the units." (Exhibit G.) Despite the failure of private developers to propose any significant number of new construction units for large families in the General Public Housing Area of the City, the City has failed to submit proposals of its own.

VI.

24. CDBG applicants are responsible for implementation of their HAPs in an expeditious manner. This includes the timely achievement of all goals for assisted housing and particularly those that address the needs of families and large families requiring rental assistance. Applicants are expected to take all actions within their control to facilitate the implementation of an approved housing assistance plan, including...the development of Section 8 housing when notifications of funding availability are not responded to by private developers. 24 CFR §570.306(a)(3); HUD Notice CPD 78-9, p.20.

25. HUD's review of the annual CDBG application must include, among other things, the following:

- (1) appropriateness of proposed plans and programs to the applicant's needs and objectives;
- (2) compliance with previous contract conditions or other remedial actions required by HUD; and
- (3) experience regarding the effectiveness of the proposed activities in meeting the community development needs in the locality.

24 CFR §570.311(b)(vi), (vii), and (viii).

26. HUD must determine whether the activities to be undertaken by the City "are plainly inappropriate" to meeting the needs and objectives identified by the City. 24 CFR §570.311(c)(2). Examples of situations in which such a determination should be made include:

(a) Experience over a period of time has demonstrated that the types of activities proposed have not been or are unlikely to be effective in alleviating the conditions they were designed to affect.

(b) Actions essential to accomplish housing assistance goals, including supportive community development activities, are not proposed.

(c) The proposed program does not reflect previous requirements of the Secretary for corrective or remedial actions, or activities proposed have previously been the basis of such requirements.

24 CFR §570.311(c)(2)(i), (vi), and (viii).

VII.

27. Despite the City's failure to achieve prior HAP goals, the activities set forth in the City's Year IV HAP are plainly inappropriate to remedy past failures of housing performance and assure achievement of housing goals. (Excerpt from City of Chicago Year IV HAP, May 1978, attached hereto as Exhibit K.) Examples include:

(a) The City fails to propose a specific program to aid CHA in utilizing its reservation for public housing, ignoring HUD recommendations and abandoning its own commitments.

(b) The City fails to propose a specific program for meeting the housing needs of families, especially large families, despite HUD's directions, now nearly a year old, to take specific steps to address such needs.

(c) The City fails to propose a specific program for Section 8 development by the City itself in the General Public Housing Area of the City. The City's Year IV HAP proposes 915 units of Section 8 family new construction in the General Public Housing Area and states that the locations identified "contain sufficient... available sites for new construction to allow accomplishment of the goals proposed." (p.11.) Similar representations are made in each of the City's prior HAPs. Based on three years of experience, it is now well established that private developers have not proposed new construction Section 8 developments in such amounts and areas, particularly

for large families, the most needy group. Under such circumstances HUD regulations require the City or its housing authority to undertake the needed development themselves. Instead the City's HAP contains this sentence:

"If the response of private developers for Section 8 housing assistance reflects a demand that is significantly contrary to the established geographic areas, the City of Chicago... if appropriate will request Federal concurrence in allocation revisions which more accurately reflect demand for the program."

(d) Despite the City's failure to acquire and resell housing sites and rehabilitable buildings for assisted housing developments in the General Public Housing Area, the City proposes to provide "assistance in land acquisition and by making land available" in 19 areas described as having "priority sites" for housing development. (Exhibit K.) The proposal does not mention buildings at all; of the 19 areas, only two and a portion of a third are in the General Public Housing Area; and the generality of the proposal is unresponsive to the specific programs HUD long ago requested and is unjustified by the City's record in General Public Housing Area land acquisition.

VIII.

28. A determination by HUD that the activities to be undertaken are plainly inappropriate to meeting identified needs and objectives may result in disapproval of a CDBG

application. 42 U.S.C. §5304(c)(2); 24 CFR §570.311(c)(2).

29. When there is substantial evidence that there has been, or will be, a lack of substantial progress, HUD is authorized to approve an application conditionally. Failure to satisfy the condition may result in a reduction in the annual grant amount. 24 CFR §§570.311(f)(3), 570.910(b)(9), and 570.910(b)(10).

30. On information and belief, HUD intends to approve the City's fourth year CDBG application without imposing specific, enforceable conditions on the City to assure the provision of assisted housing for low- and moderate-income persons, including members of the plaintiff class, in accordance with the objectives of the Housing and Community Development Act, in compliance with the regulations promulgated thereunder, and in accordance with the objectives of the Court orders in this case.

31. Under the foregoing circumstances, and because of HUD's adjudicated liability to members of the plaintiff class, plaintiffs seek additional relief against HUD in the form of an order enjoining HUD from providing funds under the City's fourth year CDBG application unless specific, enforceable conditions are imposed on the City that will facilitate the utilization of CHA's public housing reservation and the development of Section 8 family housing in the General Public Housing Area of the City.

Respectfully submitted,

Attorney for the plaintiffs

INDEX

9/22/78

Motion for Further Relief Against Department of Housing and Urban Development,

Exhibit A: June 7, 1976 letter to ALP from Robert R. Elliot.

Exhibit B: July 29, 1977 letter to ALP from Ruth T. Prokop

Exhibit C: November 25, 1974 letter to Mayor Richard J. Daley from John L. Waner

Exhibit D: April 28, 1975 letter to Mayor Richard J. Daley from John L. Waner

Exhibit E: August 1, 1977 letter to Mayor Michael A. Bilandic from John L. Waner

Exhibit F-1: August 22, 1977 letter to Mayor Michael A. Bilandic from John L. Waner

October 5, 1978 letter to Judge John Powers Crowley from ALP (including Notice of Filing and Certificate of Service)

Exhibit G: September 26, 1977 letter to Mayor Michael A. Bilandic from Elmer C. Binford

Exhibit H: August 1, 1978 Administrative Complaint to HUD Respecting City of Chicago Community Development Block Grant Application #B-78-MC-17-0006.

Exhibit I: December 27, 1977 letter to Elmer C. Binford from Lewis W. Hill

Exhibit J: Excerpt from City of Chicago Year III HAP, July 1977

Exhibit K: Excerpt from City of Chicago Year IV HAP, May 1978

Supplemental Exhibit to Plaintiffs' Motion for Further Relief Against Department of HUD: September 27, 1978 letter to Mayor Michael A. Bilandic from Elmer C. Binford



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.

Programs Operations Officer

- 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.

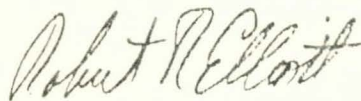
- f. HUD will amend annual contribution contracts with participating housing authorities to add the contract authority necessary to fund in full the additional number of units which each housing authority administers pursuant to the demonstration program.
2. Funding of the Chicago Housing Authority Section 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

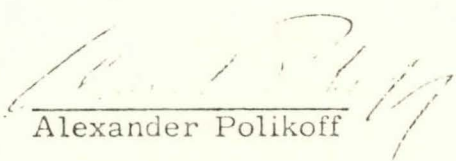
pleadings at any time seeking any type of relief from the Chicago Housing Authority, provided that any motion or pleadings seeking judicial relief to require the Chicago Housing Authority to seek authorization to operate housing programs outside of the City of Chicago and filed prior to June 30, 1977, 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 1, 1976



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

July 29, 1977

Mr. Alexander Polikoff
Business and Professional People
for the Public Interest
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. This letter supplants the letter of understanding from Robert R. Elliott, then General Counsel of HUD, to you, dated June 7, 1976, as extended on June 29, 1977 and further extended on July 15, 1977, and July 21, 1977, and the provisions of that letter are deemed to be replaced by those contained herein. It is intended that the steps set forth in this letter will further 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 continue the development of the demonstration program initiated pursuant to paragraph 1 of the letter of June 7, 1976, to provide plaintiff class families with housing assistance throughout the Chicago Standard Metropolitan Statistical Area (Chicago 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 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 which will amend Contract H-4086, dated August 6, 1976, previously entered into between HUD and the Leadership Council pursuant to the letter of June 7, 1976. Under the amended contract the Leadership Council will initially provide the services of approximately 6 professional and 3 clerical employees to locate, counsel and assist members of the plaintiff class to find housing units, and to locate owners of housing willing to participate in the demonstration program. It is expected that the numbers of families to be counseled and units to be made available will increase over the period of the amended contract, and the provisions of the amended contract will provide that the number of such employees may increase, subject to the approval of the Government Technical Representative, to approximately 12 professional and 5 clerical employees by December 31, 1978, as the number of available units and families to be counseled indicates is appropriate.

(c) The Leadership Council will contact members of the plaintiff class substantially in accordance with the practice developed under Contract H-4086, and will counsel and assist families who respond.

(d) It is intended that units to be made available to members of the plaintiff class under this demonstration program during the period July 1, 1977 to December 31, 1978 will be supplied as follows:

- (i) After August 5, 1977, HUD will make available for the demonstration program, funds for no fewer than 500 units under the Section 8 Housing Assistance Payments Program -- Existing Housing among the counties in the Chicago SMSA (including any unutilized portion of the 400 units previously allocated pursuant to the letter of June 7, 1976). The tentative goals for distribution of such units among the counties are: approximately 150 units for Cook County, 145 units for DuPage County, 20 units for each of the other four counties in the Chicago SMSA, and 0-125 units for Chicago plus designated minority areas outside Chicago. It is intended that families be located in each county in a dispersed fashion.

Subject to the provisions of Contract H-4156 between HUD and the Fair Housing Center of Home Investments Fund, entered into pursuant to the letter of June 7, 1976, all public housing authorities in the Chicago SMSA will be given the opportunity to participate in the Section 8 Housing Assistance Payments Program -- Existing Housing referred to above. Participating public housing authorities will provide for (1) the inspection of units prior to occupancy, (2) assistance in initial occupancy, (3) execution and administration of the Housing Assistance Payments Contract with owners, and (4) performance of the other functions of public housing authorities under the Section 8 Housing Assistance Payments Program -- Existing Housing other than those functions being performed by the Leadership Council under Contract H-4086. Public 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 public housing authority has been organized or where an existing public housing authority is unable or unwilling to participate, HUD will perform, by amendment or extension of Contract H-4156 with the Fair Housing Center of Home Investments Fund, or will otherwise provide for the performance of the functions normally assigned to public housing authorities under the Section 8 Housing Assistance Payments Program -- Existing Housing.

HUD will amend Annual Contributions Contracts with participating public 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.

- (ii) After July 1, 1977, HUD will make available to members of the plaintiff class a total of no fewer than 500 units through the Section 8 Housing Assistance Payments Program -- New Construction and/or Substantial Rehabilitation and the

Traditional Public Housing Program among the counties in the Chicago SMSA. The availability of these units will be assured through marketing arrangements reasonably acceptable to the plaintiffs for all units funded in the Chicago SMSA under (1) Set-asides for state housing finance and/or development agencies under the Section 8 Housing Assistance Payments Program, (2) Notices of Fund Availability (NOFAs) for New Construction and/or Substantial Rehabilitation under the Section 8 Housing Assistance Payments Program and (3) Notices of Housing Assistance Availability (NOHAAs) under the Traditional Public Housing Program. No more than 25% of the units in any single project funded under this subparagraph d(ii) shall be required to be made available to members of the plaintiff class.

- (iii) HUD agrees to establish promptly (but in any event not later than October 1, 1977,) a special set-aside of not fewer than 500 units under the Section 8 Housing Assistance Payments Program -- New Construction and/or Substantial Rehabilitation for use in multifamily projects located in the Chicago SMSA and insured under Section 221(d)(4) of the National Housing Act. HUD will encourage sponsors of all Section 221(d)(4) projects in the Chicago SMSA to enter into an Agreement to Enter Into Housing Assistance Payments Contract for 20 percent of the units in each such project and will accord a priority in processing applications for mortgage insurance to all such sponsors who so agree as well as to other sponsors whose applications for insurance involve the utilization of housing assistance under the Section 8 Housing Assistance Payments Program. Twenty percent, but no fewer than three of the assisted units in each such project participating in this special Section 8 set-aside program, shall be made available to members of the plaintiff class through marketing arrangements reasonably acceptable to the plaintiffs. Such availability to members of the plaintiff class will be provided through arrangements with mortgagors for the notification of the Leadership Council 30 days in advance of initial marketing and acceptance of applications for occupancy and for making the

requisite number of units available to members of the plaintiff class referred by the Leadership Council during such 30 day period on the same terms as to the qualifying public at large, provided that no mortgagor will be expected to keep units available beyond such 30 day preoccupancy period. Any units occupied by members of the plaintiff class pursuant to such arrangements shall be counted toward the minimum goal of 500 units established in subparagraph (d)(ii) hereof.

2. Funding of the Chicago Housing Authority Section 8 Housing Assistance Payments Program -- Existing Housing, as distinguished from the demonstration program under paragraph 1 above, is outside the scope of this letter.

3. Prior to December 31, 1978, HUD may use additional contract authority for the Section 8 Housing Assistance Payments Program -- Existing Housing in the Chicago SMSA outside of the City of Chicago for up to 5500 units without imposition of any additional requirements or conditions by reason of the Gautreaux litigation. Prior to December 31, 1978, HUD will not use additional contract authority for the Section 8 Housing Assistance Payments Program -- Existing Housing in excess of the above without the consent of the plaintiffs.

4. Prior to December 31, 1978, or such earlier date as plaintiffs file a pleading against HUD covered by paragraph 7, HUD will not for the Chicago SMSA (a) fund the programs referred to in paragraph 1(d)(ii) hereof except pursuant to the arrangements reasonably acceptable to the plaintiffs referred to in said paragraph; or (b) obligate or otherwise permit housing assistance funds (Section 8 Housing Assistance Payments Program -- New Construction and/or Substantial Rehabilitation or Traditional Public Housing Program) to be used for elderly units as compared with non-elderly (family and large family) units other than in the same proportion as the three year goals by household type identified in the composite of all approved Housing Assistance Plans (HAPs) in the Chicago SMSA; provided that, funding of elderly units may be in excess of such proportion if it is demonstrated to the satisfaction of HUD that the community in which such units are proposed to be located is making substantial progress in meeting the lower income housing needs of non-elderly families and funding of such elderly units conforms to any applicable HAP. Without limiting the foregoing, HUD will consult with the plaintiffs if it proposes to issue NOFAs or NOHAAs or make Set-asides to state housing finance and/or development agencies in the

Chicago SMSA which do not condition the funding of elderly units upon the provision of non-elderly units.

5. Plaintiffs and HUD agree to explore actively all possibilities of housing members of the plaintiff class through utilization of the programs referred to in paragraph 1(d) hereof and any further programs which are implemented by HUD prior to December 31, 1978.

6. Plaintiffs and HUD agree to work actively and to cooperate during the term of this agreement to develop a framework for the ultimate disposition of the pending suit, for future use by the court and the parties. Development of such a framework requires the generation and/or organization of data and the evaluation of at least the following factors: the size, socio-economic characteristics and housing preferences of the plaintiff class; the relative cost effectiveness of the demonstration program and other efforts contemplated by this agreement to provide housing opportunities in the Chicago SMSA for members of the plaintiff class outside areas of minority racial concentration; and the appropriate allocation between the City of Chicago and the remainder of the Chicago SMSA of funds and efforts pursuant to these programs or other alternative programs for providing a remedy to members of the plaintiff class.

7. Plaintiffs agree to postpone seeking a metropolitan-wide relief order from the District Court for twelve months from July 1, 1977, while the foregoing steps are implemented. After the expiration of the said twelve month period, plaintiffs will be free to file pleadings in the Gautreaux litigation seeking metropolitan-wide relief or relief preliminary to metropolitan-wide relief. Nothing in this paragraph 7 shall prevent plaintiffs from filing pleadings at any time seeking any type of relief from the Chicago Housing Authority, provided that any motion or pleading 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 December 31, 1978, 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. The filing of such a pleading seeking metropolitan-wide relief, or of such a pleading against the Chicago Housing Authority, shall not limit or terminate any rights of HUD under this letter but shall relieve HUD of any obligation to continue operation thereafter of the demonstration program under paragraph 1 above, except only that HUD shall remain obligated to continue such program with respect to such of the units to be made available to members of the plaintiff class under subparagraphs 1(d)(ii) and 1(d)(iii) hereof as are in projects for which (1) Set-aside contract authority for

state housing finance and/or development agencies under the Section 8 Housing Assistance Payments Program has been committed, (2) Section 8 Housing Assistance Payments Program ACC/HAP Contract Lists have been executed, (3) Traditional Public Housing Program ACC Lists have been executed or (4) firm commitments to insure a mortgage under the Section 221(d)(4) Program have been issued on or prior to the date of filing such pleading, and modification, if appropriate, of Contract H-4086 shall be made to provide for such continuation. Commencing January 1, 1979, or the date on which HUD terminates the demonstration program based upon a pleading filed by plaintiffs on or after July 1, 1978, unobligated Section 8 Housing Assistance Payments Program -- Existing Housing contract authority under paragraph 3 shall not thereafter be exempt from plaintiffs' efforts in litigation to obtain metropolitan-wide relief.

8. In the event the demonstration program is not (by subsequent agreement) continued after December 31, 1978, HUD shall continue such program with respect to such of the units to be made available to members of the plaintiff class under subparagraphs 1(d)(ii) and 1(d)(iii) hereof as are in projects for which (1) Set-aside contract authority for state housing finance and/or development agencies under the Section 8 Housing Assistance Payments Program has been committed, (2) Section 8 Housing Assistance Payments Program ACC/HAP contract lists have been executed, (3) Traditional Public Housing Program ACC Lists have been executed or, (4) firm commitments to insure a mortgage under the Section 221(d)(4) Program have been issued on or prior to such date, and modification, if appropriate, of Contract H-4086 shall be made to provide for such continuation.

Sincerely,

Ruth T. Prokop

Ruth T. Prokop

Accepted:

Alexander Polikoff

Alexander Polikoff

Date: July 29, 1977

November 23, 1974

5.230 (Rogan)

Honorable Richard J. Daley
Mayor
City of Chicago
121 North LaSalle Street
Chicago, Illinois 60602

Dear Mayor Daley:

We are now at the point where we will be issuing application forms to cities in which to apply for funds under the Housing and Community Development Act of 1974. Under the rules and regulations of the Community Development Act of 1974, the applicant is required to submit a Housing Assistance Plan as part of the application for funds.

We have been advised to notify the City of Chicago that any Housing Assistance Plan filed by the City pursuant to Title I of the 1974 Act must address itself to the needs of the plaintiffs as authorized in the Cautreaux Litigation and to the specific provisions of the judgment order entered against the Chicago Housing Authority in July, 1969.

Accordingly, in view of the above, you are hereby advised that any Housing Assistance Plan that may be filed by the City of Chicago pursuant to Section 104 (a)(2) of the 1974 Act will be reviewed in light of the provisions of the judgment order of July, 1969, and will be ruled unacceptable if it is in any way inconsistent with that order.

You may be assured of our continued cooperation and assistance in this matter should you desire further clarification.

Sincerely,


John L. Warner
Director
Chicago Area Office

cc:
Irwin France, Director
Hadel Cities
Lewis Hill, Commissioner
Dept. of Planning and Redevelopment

April 28, 1975

Honorable Richard J. Daley
Mayor of Chicago
Chicago, Illinois 60602

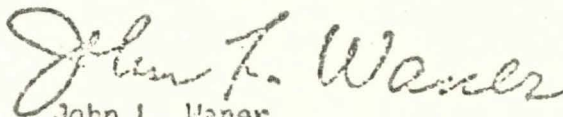
Dear Mayor Daley:

At the request of the Magistrate appointed by Judge Austin to inquire and report concerning the lack of progress in implementing the provisions of the July 1969 Judgment Order in the Gautreaux litigation, we wish to reiterate the Department's position communicated to you in my letter of November 25, 1974, and draw your attention to pertinent provisions of the Housing and Community Development Act of 1974 as well as HUD's implementing regulations.

The components of the Housing Assistance Plan (HAP) are delineated in section 104(a)(4) of the Act, 24 CFR 570.303(c) and Form HUD -7015.B through 11. The standards of review and criteria for approval of the HAP are set forth in section 104(c) of the Act and at 24 CFR 570.306.

If the Department determines that the application of the City of Chicago does not comply with the requirements of Title I of the Housing and Community Development Act of 1974 or other applicable law, which includes all orders of a United States District Court that have not been stayed, it will not approve the application. It is, of course, the responsibility of the City to see that its application, and particularly its housing assistance plan, is in compliance with the requirements of the Court's orders in the Gautreaux litigation. If the City believes that clarification of the requirements of the Judgment Order of July 1969 as applied to HUD's new programs is needed, the City should obtain that clarification from the Court.

Sincerely,



John L. Waner
Director
Chicago Area Office

cc: Elliott G
Flando 5G ✓
Hill
Hills S
Marrow 5S
Meeker M
Kaiser 5M
Swibel

AUG 1 1977

5.2C (Marcyan)

Honorable Michael A. Bilandic
Mayor, City of Chicago
City Hall
Chicago, Illinois 60602

Attention: Messrs. Lewis Hill and Cecil Partee

Dear Mayor Bilandic:

Subject: Results of Grantee Performance Report and Monitoring Visit -
CDBG B-76-MC-17-0006

The Chicago Area Office has now completed its annual review of the City of Chicago's performance under the CDBG Program. Our analysis covered both first and second year performance and was based primarily upon review of Chicago's Grantee Performance Report (GPR) and our current comprehensive monitoring visit conducted May 18, 19, and 25, 1977.

In accordance with Section 104(d) of Title I of the Housing & Community Development Block Grant Program, the monitoring visit was conducted by the following members of my staff:

NEPA - Eugene Goldfarb
CP, CD, HAP - Helen Izumi
Others - Elmer Schmitz
Relocation - Marshall Schy

Acquisition - Eugene Phelan
Labor - Jim Johnson
Finance - Mary Chism
E.O. - Nettie Scurlock

As you know, the reviews were conducted to determine whether the prescribed performance standards had been met in a manner consistent with emphatically stated block grant regulations.

COMMUNITY DEVELOPMENT & CITIZEN PARTICIPATION

The areas of Community Development and Citizen Participation were found to be well documented. The files were complete and indicated that the staff had the capabilities to progress with the programs.

cc- David Larson, City of Chgo.

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HOUSING ASSISTANCE PLAN

The files for the Housing Assistance Plan were rather sketchy and incomplete. It appeared that from the GPR that substantial progress was made, however, the accomplishment was not in the categories programmed. It appears that only a little effort was expended to use all of the funds available and no effort was made to encourage development of family housing. It was also noted that little effort was made to encourage CHA to use the fund reservation for 1,200 units of traditional public housing which has been reserved since 1971 and very little progress has been made since then.

A good deal of the goal accomplishment is represented by the CHA city state project 1,384 unit rehab Section 8. This is a substitution of one form of subsidy for another and does not add to the total. Much of the accomplishment with existing housing has been conversion of Section 23 leased to Section 8 again - substitution of subsidies.

The city must make a concentrated effort to encourage development of subsidized family housing and goals should not be so restricted, presently the HAP has limiting effect.

RELOCATION

With reference to relocation, it was found that case by case corrective actions are required. It appeared that following records were lacking:

1. Documentation of payments made. Copies of cancelled checks should be in the records.
2. City has not provided "Notice of Intent to Acquire".
3. Some files reviewed indicated that "Notice of Eligibility" were not provided to certain displacees.
4. The city's schedule for replacement housing should be made current.
5. Records should be kept on a project year basis, not on the current basis of when displacement occurred.

ACQUISITION

With reference to acquisition, under our letter of June 1, 1977, we set forth the understandings, agreements and actions required to correct most of the correctable violations of the Uniform Act. You were invited to respond to our letter, however, to date we have had no response. It is further noted that the Chicago Park District files were not monitored at this time.

LABOR

Insofar as our review of the labor area is concerned, numerous meetings were held with Messrs David Larson and Joe Evans of your staff in order to resolve the discrepancies surfaced during the monitoring visit. It was brought to our attention in the GPR that although most of the \$79,259 million dollars of 1975-1976 were committed only some \$7.9 million had gone toward construction through some 56 contracts. With the exception of a request for a wage determination on occasion, HUD has received

little cooperation from the city. We understand that under the normal procedure for the city, that as many as 8 to 12 departments are involved in drawing CD funds for construction purposes and there appeared to be no central administration head to coordinate all projects and assume the full responsibility for the overall administration of the project. No one could ascertain if bidding documents or wage determination were in conformance with labor standards and were incorporated in the bid packages.

As a result of the meetings with your staff, at our suggestion a "boiler plate" construction contract was formulated by Mr. Evans of your staff reflecting acceptable federal language to be inserted in all construction contracts.

As the city is now moving to secure the program under one head and construction contracts are tailored to contain sufficient information to satisfy labor standards administration and enforcement, we find the labor findings are sufficiently addressed.

OTHERS

Our engineering staff found in his review that none of the HUD or federal requirements were being met. Proper procedures were furnished, however, were not found to be included in the "boiler plate" contract kit recently proposed as a result of the meeting with Mr. Evans.

It is recommended that the following items as required in FMC 74-7 be made part of the city's proposed "boiler plate" contract kit in order to conform with HUD requirements:

1. Contract administration (A&E authority).
2. Bonding requirements
3. Safety act.
4. Clean Air Act.
5. Hatch Act.
6. Architectural Barrier Act
7. Lead base paint.
8. Flood hazard.
9. A good set of general conditions would include many other items as well, however, our requirements are those stated above.

FAIR HOUSING AND EQUAL OPPORTUNITY

From all information available, it appears that the city has not complied substantially with E.O. requirements of their GPR. The city failed to submit the required Recipient Employment form VG for those departments receiving or benefiting from CDBG funds. Instead, the EEOC State and Local Government Information Report (EEO-4) was submitted. Although the EEO-4 form report reveals a great disparity between non-minority and minority hiring, it cannot be substituted for the required VG form. The job categories or departments listed on the EEO-4 report do not correspond to those departments which the city indicated received CDBG funds.

It was also indicated that the city has taken affirmative actions in the award of contracts to minority contractors and that construction contracts have been awarded to prime contractors in excess of \$500,000. However, during a recent monitoring visit, no records of pre-construction conferences or certifications of compliance with Executive Order 11246 and the Chicago Imposed Plan were found.

In order to resolve the foregoing E.O. deficiencies, the city is requested to submit within 60 days of this letter a Recipient Employment form VG for city departments receiving or benefiting from CDBG funds from which a proper assessment of your in-house employment can be made.

The pre-construction "boiler plate" contract kit has been found to sufficiently cover E.O. concerns.

FINANCE

In reviewing the GPR with reference to finance, we found that the total amount expended (Col. 11 of Table I Progress on Planned Activities) reflect \$27,584,220 while our Treasury form 7578 reflects a drawdown of \$28,805,600. Therefore, as of June 29, 1977, your drawdown reflected deficit funds on hand. Please explain this difference. We also caution you that no funds resulting from surplus renewal funds resulting from the UR closeout are to be programmed for CDBG Program until all outstanding financial obligations are met for the remaining active urban renewal projects in the city.

ENVIRONMENTAL

The city appears to be meeting the complex task of compliance with the National Environmental Policy Act and applicable environmental regulations of HUD's CDBG (24 CFR 58). Coordination between various city agencies, preparation of assessments, publication of notices and requesting the release of funds is being handled in a efficient and effective manner. The only weakness observed in the whole process was the city's treatment of alternatives in most of the assessments.

With reference to procedural mechanics, the city is commended for the manner in which it has organized its environmental assessment function. The assessments were, on a whole, very good and showed a definite improvement from those prepared for the previous year's grant.

The major deficiency was the city's failure to adequately consider alternatives in its assessments which seems to be one of documentation rather than substance. Attached is a copy of the review records in detail for your files.

5.

Please convey our thanks to your staff members David Larson, Lewis Pagonas, Joe Evans, Dave Reich, Ron Wos and Steve Welch and other members of your staff for their cooperation during the monitoring visit. It was most gratifying.

Sincerely,

John L. Waner
Director
Chicago Area Office

Attachment

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

AUG 2 3 1977

5.2C

Honorable Michael A. Bilandic
Mayor, City of Chicago
City Hall
Chicago, Illinois 60602

Attention: Messrs. Lewis W. Hill and Cecil A. Partee

Dear Mayor Bilandic

Subject: HAP for Community Development Block Grant Program B-77-MC-17-0006

This will confirm telephone conversation of July 29, 1977 with David Larson of your staff at which time he was advised of the potential disapproval of your Housing Assistance Plan (HAP) submitted with your application for overstated rental vacancy and unrealistic housing goals.

Be advised that only the Secretary may disapprove an application. Therefore, the application for the City of Chicago has been referred to our Regional Office for review and forwarding to Central Office.

It is noted at this time that the city has not made visible efforts to assist in the provision of new and rehabilitated housing through the Section 8 advertising process, nor has it made visible efforts to speed the utilization under occupancy of Section 8 existing housing units that have been under contract to Chicago Housing Authority (CHA) for some time. Slow progress in the conversion of Section 8 existing housing units to occupancy has been noted particularly in the category serving families of 4 or fewer persons. In short, little initiative has been thus far taken by the city in assisting the Section 8 planning process. We have also noted slowness on the part of the CHA in utilizing some 1,200 family public housing units under program reservation for some time, in cooperation with the city.

It is recommended that the following steps be taken to remedy the above. Those would include an agreement within the HAP to carry out the following activities:

1. Work with potentially interested developers who have done housing in areas substantially unserved by assisted housing to identify developable parcels including those to be purchased by the city for resale for Section 8 purposes, land which is currently publicly owned and potential demolition sites and assist use of these sites so identified in response to Section 8 advertising.

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1. Work to identify developable sites for use for family public housing units under program reservation and work with CHA to get development going on those 1,200 units, as well as with private developers.
3. Work closely with CHA to identify interested landlords, and encourage their participation in the Section 8 existing housing program, to achieve commitment and occupancy of more units now under ACC contract with CHA, especially in the family categories.
4. Work higher permissible Section 8 assisted housing unit totals in new and rehab family housing into Table IV housing location breakdowns under General Housing Areas I, II, and III. Areas I and II are of particular importance and would evidence potentially greater needs.
5. Work higher permissible Section 8 assisted housing unit totals into General Housing Areas I and II for elderly housing, new and rehab.
6. Work increases appropriate to increases in 4) and 5) above into Table III Section 8 new and rehab goals under HUD Section 8.
7. Work increased goals for IHDA Section 8 new and rehab housing into Table III for family and elderly.
8. Reflect adjusted IHDA and HUD Table III current year goals in three year goals.

We note within the 1978 HAP several proposed activities which could be utilized to further aid the provisions of newly constructed assisted housing one of these referenced activity proposes acquisition, demolition, and sale of project land for residential development including Section 8 housing, rehabilitation of properties, and relocation. Seventeen project areas are noted.

To assure early and expeditious action to implement this activity, we request that you include an agreement within your HAP to supply HUD with the following information no later than three months after CDBG approval, should approval be granted:

1. Identification of a minimum of three of the above areas that will receive immediate attention under this program. These should include at least two areas that lie within the GPH.
2. Evidence that a survey of potential acquisition sites has been completed in each area, with results.
3. Statement of projected time frames for completing the following activities regarding those three areas:

- a. Inception of acquisition of such available land.
- b. Initial offering of available land to potentially interested developers.
4. Identification of specific vehicles that will be utilized to?
 - a. Notify owners of potential sites of the city's interest and acquisition.
 - b. Notify developers of the availability of such sites from the city for Section 8 development.
5. Submission of a specific proposal outlining staff action to accomplishing the transfer of such available land to private developers interested in proposing Section 8 housing.

We note under page 28 of your HAP that you propose to acquire land for sale to Section 8 developers for construction of new housing or rehabilitation of existing housing. Three project areas were mentioned. Please provide for us clarification as to what kind of housing structures might be acquired for rehabilitation under this program.

In addition, please indicate when you intend to begin contacting private developers for recommendation on other sites which might qualify for acquisition under the provisions of the Urban Renewal Consolidation Act of 1961, what specific steps you will take to reach these developers and what steps you will take to elicit as many recommendations as possible in GPH areas.

On page 29 of your HAP, we note that you propose the program of rezoning of obsolete commercial and industrial land to residential use where appropriate. We request that you furnish us with your projected target date for completion of the study and specific plans for rezoning and utilization of land for assisted housing purposes.

As you know, many neighborhoods contain a significant proportion of rehabilitable housing that could be utilized to provide living units for a variety of income groups including Section 8 eligible tenants. You acknowledged this in your proposal ID "Residential Urban Renewal Projects" under which you would set aside a portion of your CDBG money to acquire property suitable for rehabilitation for reuse by Section 8 assisted households.

It is requested that you furnish this office within the three month period after CDBG approval a specific proposal for acquiring rehabilitable buildings and making them available to interested developers of Section 8 housing. This proposal should include the following information:

1. Please indicate the specific procedure and criteria you will utilize to:
 - a. Identify areas for housing survey which shall include both general public and limited public housing areas
 - b. Conduct a survey of the housing stock.

- c. Acquire and identify rehabilitable properties.
- d. Remove impediments to resale and rehabilitation of such units including back taxes, restrictive building code provisions and other matters.
- e. Make availabilities of property known to interested developers and community development organizations.
- f. Provide staff services for counselling of interested organizations on the acquisition and sale program on available properties and on technical and financial services to be available to rehab purchasers through various city programs within the Dept. of Urban Renewal, Dept. of Human Services, and Rehab: the Housing Resource Center
- g. Provide staff services for the transfer of acquired property to developers and organizations interested in purchase.
- h. Provide for ongoing monitoring of the rehab and use of these properties for Section 8 occupancy.

We are recommending that you work with community level development organizations as well as the private development sector because of the tremendous potential *SUCH AS THE* Chicago Neighborhood Cooperation has demonstrated in successfully producing new and substantially rehabilitated assisted rental housing. You have amply demonstrated your recognition of this potential in your establishment of "Rehab: The Housing Resource Center" to provide full service technical assistance to neighborhood organizations capable of sponsoring assisted housing.

To speed the utilization of Section 8 existing housing units now under contract to CHA, we recommend that you develop a program for identifying and encouraging the participation of potential landlords whose units might be made available for Section 8 tenants.

We also recommend that you develop a counselling program designed to aid in directing income eligible Section 8 certificate holders or applicants to landlords who have indicated an interest in participating in the Section 8 existing housing program

Be advised that the Section 8 resources to be available through HUD and IHDA will not be so limited as they appeared to be when your application was being prepared for submission to HUD.

In Table I you have probably overstated the rental vacancy rate in standard housing. In our opinion 7.5% is too high. This rate is important since the instructions for new construction and HAPs generally preclude new construction where the standard rental vacancy rate exceeds 6%. Table III (three year goal) has large new construction goals.

We have enclosed data from the 1975-1976 HUD Census Annual Housing Survey indicating the composition of the city's housing stock. The data was obtained six months before and six months after October 1975. The enclosed information are HUD estimates based on preliminary results of the annual housing survey in Chicago.

The annual housing survey results show that there were 47,600 vacant rental units for a rental vacancy rate of 6.6%. It is probable that not all of these units will meet city codes. The 1977 HAP for Chicago shows that approximately 20% of vacant rental units are substandard. It appears that the vacancy indicator used by the city is the residential vacancy rate measured by idle meters. Between October 1975 and March 1977, the rate fell from 5.58% to 4.79%, a 16% reduction. A comparison of the 1976 and 1977 HAP submissions for Chicago show that the city estimates the rental vacancy rate decreased from 8.0% to 7.5%, a 0.5% decrease.

You have also estimated considerable demolitions between 1975 and the current time which has probably further lowered the standard rental vacancy rate. The large increase in the owner-occupied inventory is probably due to condominium conversions. These data described above can be used in deriving a realistic rental vacancy rate.

Using the enclosed data with your assumptions and building permit and demolition data, we estimate a standard rental vacancy rate of well below 6%.

Table II

There is a typographical error on line 6, Col. (b-3). Please correct the figure to read 5,047.

Table III

(1) Current year goal on line 2, only 200 units of new Section 8 for state agency are shown. It is noted that the newly released 1977 allocation of Section 8 for Illinois Housing Development Authority supplement shows a total of 1,460 new units were allocated to the Chicago SMSA, which could be developed as new or substantial rehab units. About half of these units could be allocated to the City of Chicago on the basis of need data.

Three Year Goal. The number of new construction units in Areas 2 and 3 include 25 family units and 20 elderly units in each area. These numbers appear to be too small to develop. It is requested that the city carefully choose numbers of units that will permit development of feasible sized projects when revising Table IV housing area unit totals and Table III new and rehab Section 8 goals for family and elderly, as per above comments. Also, your HAP shows a goal of 1,155 Section 235 rehab units in Table III Section E of the current year goal. However, this goal is not shown as part of the three year goal. Please include these units in your three year goal. Inclusion of the 1,155 units will change the totals in Part F of the three year goal and will change the percentages in line 37.

On line 28, the first year goal is larger than the three year goal.

Table JV

Under this table for new construction Section 8, please insert a statement that prior to city approval of all planned unit developments, zoning variances, building permits or other pre-construction requirements for major residential developments, sponsors shall be required to set aside 10 - 15% of the project units for occupancy by Section 8 assisted families.

In the interest of increasing the rate and efficiency of delivery of assisted housing in the city, it is our strong recommendation that the city establish an office of coordination for all housing programs for the purposes of:

1. Centralizing planning and monitoring of the various types of housing aids presently being offered through city programs and proposed for funding and implementation beginning this autumn. Such programs include rehabilitation assistance to owners of single family and multi-family housing, land and property acquisition for the purpose of encouraging new construction and rehabilitation in inner city areas, technical assistance to local development corporations and city program applicants wishing to finance and rehabilitate single and multi-family housing units within city neighborhoods, energy conservation programs and related housing and city improvement programs.
2. Centralizing information and referral regarding city housing programs, with follow up to coordinate where individual aids are going, in the interest of revitalizing specific neighborhood areas.

It is also our recommendation that such a coordination office be given sufficient authority to elicit the cooperation of all offices within city government to achieve these goals.

It is apparent from the nature and scope of your existing housing programs and programs proposed in the current block grant application that the city shares with us a deep commitment to rehabilitating and supplementing the existing housing stock, in the context of concentrated neighborhood renewal. To the extent that we can work together to coordinate where program resources are spent, we shall be closer to achieving neighborhood revitalization and security of private and public housing investments. We believe that the above recommendations effectively serve that end.

All revisions and/or documentations to rectify the potential disapproval of the HAP should be submitted to this office no later than 2 September 1977, if not sooner.

Should there be questions, please contact members of my staff.

Sincerely,

John L. Waner
Director
Chicago Area Office

Enclosure



BPI

Business and Professional People For the Public Interest

109 North Dearborn Street, Suite 1300 • Chicago, Illinois 60602 • Telephone: (312) 641-5570

October 5, 1978

RECEIVED

OCT. 5 1978

The Honorable Judge John Powers Crowley
United States District Court
219 South Dearborn Street
Room 2336
Chicago, Illinois 60604

John Powers Crowley, Judge
United States District Court

Re: Gautreaux, et al. v. Harris,
et al., No. 66 C 1459 and
No. 66 C 1460 (Consolidated)

Dear Judge Crowley:

On September 22, 1978, we filed a Motion for Further Relief against the Department of Housing and Urban Development, including exhibits, in the above case. Recently we discovered that a letter from John L. Waner to Mayor Bilandic, dated August 22, 1977, was inadvertently included as "Exhibit 'F'" instead of a different letter from Mr. Waner to Mayor Bilandic of the same date. We are therefore filing the correct August 22, 1977 letter as a supplement to the exhibits, labeled "Exhibit 'F-1'".

Very truly yours,

Alexander Polikoff

ALP:gdw

cc: All counsel

Staff

Alexander Polikoff
Executive Director

Robert J. Vollen
General Counsel

Douglas W. Cassel, Jr.
Attorney

James Angelo Georatos
Attorney

Mary Galloway James
Attorney

Elizabeth L. Lassar
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Deanna L. Sautter
Director of Development

Julie Simon
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Paralegal

Past Presidents

Gordon B. Sherman
Elliot Lehman

Directors

Robert B. Lifton
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Alexander Polikoff
Rudolph S. Rasin
Jeremy Warburg Russo
Sylvia Scheinfeld
James A. Shapiro
Robert J. Tucker
Lois Weisberg
Morton Weisman
Richard Wolf

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

DOROTHY GAUTREAUX, et al.,)
)
Plaintiffs,)
)
-v-)
)
PATRICIA R. HARRIS, Secretary of)
the U.S. Department of Housing and)
Urban Development and CHICAGO)
HOUSING AUTHORITY, et al.,)
)
Defendants.)

NO. 66 C 1459
RECEIVED
66 C 1460
(Consolidated)
OCT. 5 1978

John Powers Crowley, Judge
United States District Court

NOTICE OF FILING

TO: Calvin H. Hall, Esq.
22 West Madison Street
Chicago, Illinois 60602

Patrick W. O'Brien, Esq.
231 South LaSalle Street
Chicago, Illinois 60604

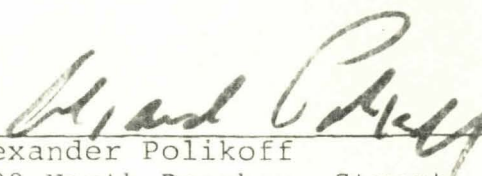
Thomas P. Sullivan, Esq.
United States Attorney
219 South Dearborn Street
Chicago, Illinois 60604

Corporation Counsel
City of Chicago
511 City Hall
121 North LaSalle Street
Chicago, Illinois 60602

Richard Flando, Esq.
300 South Wacker Drive
Chicago, Illinois 60606

PLEASE TAKE NOTICE that on this 5th day of October, 1978,
I have filed a supplemental exhibit, labeled "Exhibit 'F-1',"
to the exhibits to plaintiffs' Motion for Further Relief Against
Department of Housing and Urban Development with the clerk for
the Honorable Judge John Powers Crowley in the United States

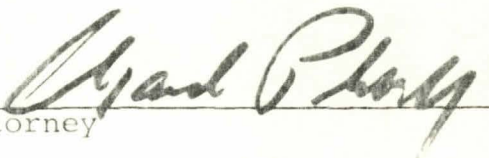
District Court for the Northern District of Illinois, Eastern Division, a copy of which supplemental exhibit is attached hereto and herewith served upon you.


Alexander Polikoff
109 North Dearborn Street
Chicago, Illinois 60602
(312) 641-5570

DATED: October 5, 1978

CERTIFICATE OF SERVICE

I certify that on this 5th day of October, 1978, I served the foregoing Notice of Filing and the document referred to therein, upon each of the attorneys to whom the Notice is addressed by causing it to be deposited in the United States mail at 109 North Dearborn, Chicago, Illinois, first class postage prepaid.


Attorney

SEP 28 1977

cc- FRAD 5AF
Jacobsen 5D1
Stevens 5ZA
Data Sys & Stat Br. Wash DC
5.2C

Honorable Michael A. Bilandic
Mayor, City of Chicago
City Hall
Chicago, Illinois 60602

Attention: Messrs. Lewis Hill and Cecil A. Partee

Dear Mayor Bilandic:

Subject: Community Development Block Grant Program B-77-MC-17-G006
Application Approval Third Program Year

We are pleased to inform you that your application for Community Development Block Grant has been approved in the amount of \$61,441,000. This funding approval is effective for the third program year beginning October 1, 1977.

Enclosed are three copies of HUD form 7082, Funding Approval Under Title I of the Housing & Community Development Act of 1974, with attached standard provisions including the grant agreements, for your execution. The original and one copy of the form are to be manually signed and returned to this office, and the third copy is to be retained for your files.

Your attention is directed to block 17(a) of the above form, wherein it is noted that funds are not to be used for the activities listed until receipt of a certification that the environmental process is completed.

Upon our receipt of the executed grant agreement, we will take immediate steps to amend your letter of credit to include your current year's entitlement of \$61,441,000. You will be advised of the effective date when drawdowns may commence under the amended letter of credit.

We would like to take this opportunity to remind you of the auditing requirements applicable to the Community Development Block Grant Program. In accordance with the provisions of Section 570.509(b), an audit of your program is to be conducted with reasonable frequency, usually annually, but not less frequently than once every two years. Since an audit has not been conducted for the first year of operation, it is necessary that you enter into a contract to have an audit of

G Kee dj 9-27-77

C C C
Izumi Marcyan Kee

the CD Program commence within 60 days of the completion of your second year and the audit is to be completed within 150 days after the completion of your second year. For the purpose of this program, audit completion is issuance of the report.

While we indicated in our previous correspondence that your accomplishments in achieving your housing goals have been below expectation, we have been able to make a finding that you have a continuing capacity to carry out your program and we are, therefore, able to approve your application.

Below find a chart which reviews progress made toward achieving Section 3 MAP goals in the City of Chicago since the inception of the CDBG Program:

City of Chicago
Section 3 MAP Goal Accomplishments

		<u>CD Year I</u>	<u>CD Year II</u>	<u>Total</u>	<u>Accomplishments</u> <u>through 9-16-77</u>	<u>Remaining</u> <u>Goal Target</u>
		<u>Goal</u>	<u>Goal</u>			
Elderly	New	1736	890	2626	2219	407
	Rehab	1000	400	1400	588	812
	Existing	970	828	1793	2626	0
Family	New	2658	612	3480	307	3173
	Rehab	3435	1367	5372	1754	3618
	Existing	380	1348	1728	1515	213
Large						
Family	New	300	333	633	0	633
	Rehab	1000	632	1632	33	1544
	Existing	100	169	269	1091	0

by this time, pursuant to Section 570.903(e)(2) of the regulations, you should have accomplished 100% of your first year housing goal in your initial Housing Assistance Plan. Further, significant progress should have been made in accomplishing your second year MAP goal. When housing goals have not been accomplished, it is incumbent upon this office as set forth in Section 570.903(e)(2) of the regulations, in reviewing any grantee's performance to evaluate those actions a grantee may take which are in its control to achieve its goals. In doing so, while we can conclude that there has been progress toward meeting your goals, we are also of the firm belief that there are additional actions you can take which will serve to assure better performance.

The city shall during this program year give special attention and make special efforts in the family and large family new construction and rehabilitation areas. This approval is given with the expectation and assumption that with respect to housing, the city will take all appropriate actions within its control to make substantial progress toward achieving Section 3 MAP goals. This may include the provision of sites and site improvements; assuring that all necessary zoning, platting and permits are promptly issued; and, the city acting directly as the developer if the private market cannot provide the units.

Therefore, as a condition of our approval of your third year grant, we expect the following:

1. New Construction and Rehabilitation

- a. For any housing proposals received which exceed the total number of units in any of the current annual goals by more than 20% or 20 units (which ever is greater), the city shall, in its response to HUD as part of the Section 213 procedures, approve major variations to the annual goals.
- b. The city shall consider that a portion of all non-elderly units to be developed as part of any planned-unit-developments, be reserved for Section 8 eligible families.
- c. Pursuant to your revised MAP, the city shall submit to HUD within 90 days of the approval of the CDBG application a report on the program of activities in the three project areas in the General Public Housing area (i.e., Haskins-Harritage, Uptown Conservation Area and Armitage-Kedzie), identified as priority areas for location of Section 8 assisted housing.

The report program shall include specific timetables for:

- (1) The acquisition and sale of housing sites, and
- (2) The acquisition and sale of rehabilitable structures for Section 8 purposes.

The city shall report to HUD on January 15, 1973, March 15, 1973, and June 15, 1973, the progress achieved in this program.

- d. In addition, the city shall develop and implement a program of Affirmative Actions which will lead to the accomplishment of all housing goals pursuant to Section 570.903(e)(2) of the regulations. Such actions may include: an active program of housing site identification and acquisition through the use of block grant funds; the convening of conferences with developers to identify any impediments to their submitting of proposals for housing programs in the city; work with the Chicago Housing Authority in the development of proposals for housing assistance by CHA; and/or, the initiation of action by the city to act as developer of Section 8 housing.

The city shall, therefore, submit to HUD within 90 days of approval of the application, a program of actions to be taken to aggressively address an Affirmative Plan of achieving all housing goals. Further, the city shall report to HUD on January 15, 1973, March 15, 1973, and June 15, 1973, the progress achieved in carrying out this program.

2. Existing Housing

While you have achieved the execution of sufficient Annual Contributions Contracts to meet your first year goals for existing housing, actual occupancy of units is significantly lagging. You have indicated in your revised HAP some steps you intend to take to address this problem. To assure that units are actually occupied and the intent of your goals is realized:

a. The city shall develop and submit to HUD within 90 days of the approval of the CDBG application, a program to identify interested landlords, provide referral and counseling services, and assure actual occupancy of units under the Existing Section 8 Housing Program to achieve the following:

- (1) Full occupancy of 100% of the first year goal in the FY 1975 Housing Assistance Plan for all existing units by April 1, 1978.
- (2) Full occupancy of 100% of the first year goal in the FY 1976 Housing Assistance Plan for all existing units by September 30, 1978.

b. The city shall report to HUD progress in achieving occupancy of existing units on January 15, 1978, March 15, 1978, and June 15, 1978.

In addition, we recommend that during this program year, the city give further consideration to the housing program proposals advanced by public interest groups through both the public hearing and administrative complaint process for possible inclusion in its CDBG year four Housing Assistance Plan. Some of these proposals could be implemented during the coming program year utilizing local option funds, contingencies or a program amendment.

With reference to IV F 2, Quality of Life, this activity has been determined to be ineligible. Funds identified for this activity have been reallocated by HUD to the local option line item of the approved CDBG budget.

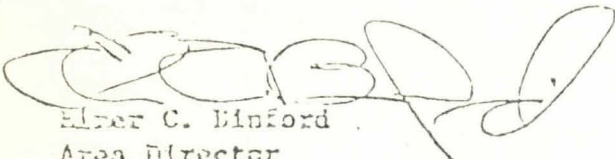
We are attaching a revised Community Development Budget (HUD form 7915.5) which reflects the following adjustment:

Line 13, Planning & Management Development, is reduced by \$75,000 so as to provide for a like increase in Line 17, Unspecified Local Option Activities, for re-allocation to an eligible activity. Line 16 sub-total has also been reduced by \$75,000 to provide the like increase in Line 17.

5.
With reference to activity III A 2, Economic Development Urban Renewal Project (Chicago-Oakley activity), based on the information submitted, we are unable to determine that there now exist conditions of physical decay, or that there are current objectively determinable signs of deterioration, economic decline, or disinvestment in the area as required by HUD Notice CPD 77-10. We have, therefore, set forth a special condition, as follows:

"Notwithstanding any other provision of the grant agreement and funding approval, no funds shall be expended or obligated for the activity set forth in item 17(e) of the Funding Approval unless and until, within 60 days of the date of the Funding Approval, the applicant/grantee submits evidence satisfactory to the Department of Housing & Urban Development that such activity satisfies Section 570.303(b)(5)(ii) of the Community Development Block Grant Program regulations. If the applicant fails to submit such satisfactory evidence in a timely manner, or if HUD determines that the evidence submitted is unsatisfactory, then the applicant shall within 30 days of (a) the expiration date of the period established above for submission of such evidence, or (b) the date of HUD determination that any pertinent evidence timely submitted pursuant to the foregoing is unsatisfactory, whichever is later, submit for HUD approval a program amendment to reprogram funds attributable to this activity which amendment shall satisfy said Section 570.303(b)(5)(ii), and otherwise shall be in compliance with all applicable requirements of Title I of the Housing & Community Development Act of 1974. Failure to satisfy this condition shall be cause for reduction of the grant otherwise included in the Funding Approval, as authorized by Section 570.910(b)(10) of the Community Development Block Grant Program regulations, by the amount of funds attributable to the activity so conditioned."

Sincerely,



Elmer C. Linford
Area Director

Enclosures

NAME OF APPLICANT

D. PROGRAM YEAR

City of Chicago

FROM: 10-1-77

TO: 9-30-78

E. PROGRAM ACTIVITY

AMOUNT

FOR HUD
USE ONLY

	ACQUISITION OF REAL PROPERTY	9,747	9,747
	PUBLIC WORKS, FACILITIES, SITE IMPROVEMENTS	14,293	14,293
	CODE ENFORCEMENT	1,212	1,212
	CLEARANCE, DEMOLITION, REHABILITATION	3,624	3,624
	REHABILITATION LOANS AND GRANTS	5,700	5,700
	SPECIAL PROJECTS FOR ELDERLY AND HANDICAPPED	500	500
	PAYMENTS FOR LOSS OF RENTAL INCOME		
	DISPOSITION OF REAL PROPERTY	180	180
	PROVISION OF PUBLIC SERVICES	12,270	12,270
1.	PAYMENT OF NON-FEDERAL SHARES	3,450	3,450
1.	COMPLETION OF URBAN RENEWAL/NDP PROJECTS		
2.	RELOCATION PAYMENTS AND ASSISTANCE	3,143	3,143
3.	PLANNING AND MANAGEMENT DEVELOPMENT	2,165	2,090
4.	ADMINISTRATION	4,301	4,301
	CONTINUATION OF MODEL CITIES ACTIVITIES		
5.	SUBTOTAL (Sum of Lines 1 thru 15)	60,585	60,510
7.	CONTINGENCIES AND/OR UNSPECIFIED LOCAL OPTION ACTIVITIES (Not to exceed 10% of line 16)	856	931
10.	TOTAL PROGRAM ACTIVITY COSTS (Sum of Lines 16 and 17)	61,441	61,441
LINE 10.	F. RESOURCES FOR PROGRAM ACTIVITY COSTS		
1.	ENTITLEMENT OR DISCRETIONARY AMOUNT	61,441	
2.	LESS DEDUCTIONS	-	
3.	ENTITLEMENT/DISCRETIONARY AMOUNT FOR PROGRAM ACTIVITIES (Line 1 minus 2)	61,441	61,441
4.	PROGRAM INCOME		
5.	SURPLUS FROM URBAN RENEWAL/NDP SETTLEMENT		
6.	LOAN PROCEEDS		
7.	REPROGRAMMED UNOBLIGATED FUNDS FROM PRIOR PROGRAM YEAR		
8.	TOTAL RESOURCES FOR PROGRAM ACTIVITY COSTS (Sum of Lines 3-7)	61,441	61,441

☐ Check box if costs include indirect costs which require approval of a cost allocation plan as required by Federal Management Circular 74-4.

ADMINISTRATIVE
COMPLAINT
TO
THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
RESPECTING
CITY OF CHICAGO COMMUNITY DEVELOPMENT
BLOCK GRANT APPLICATION #B-78-MC-17-0006

Submitted by:

Alexander Polikoff
Elizabeth Lassar
James A. Geocaris
Mary Galloway James
on behalf of BPI
(Business and
Professional People
for the Public Interest)
and the plaintiffs in
the Gautreaux litigation

August 1, 1978

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IV. Inadequate Monitoring and Enforcement by HUD	21
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ADMINISTRATIVE COMPLAINT

BPI (Business and Professional People for the Public Interest) and the plaintiffs in the Gautreaux litigation file this administrative complaint with the Department of Housing and Urban Development (HUD) respecting (1) City of Chicago Community Development Block Grant Application No. B-78-MC-17-0006, and (2) activities of the City of Chicago and of HUD respecting City of Chicago actions under previous Community Development Block Grant Applications of the City.

INTRODUCTION

Approximately one year ago, on August 4, 1977, the complainants filed an administrative complaint respecting the Year III (1977) Community Development Block Grant Application of the City of Chicago. Although HUD ultimately rejected that complaint formally, it nonetheless advised the City that its accomplishments in achieving housing goals had been below expectations, stated that there were additional actions the City should take to assure better housing performance, and therefore conditioned approval of the third year grant upon the City's taking a series of specific actions. (Letter,

August 22, 1977, from John L. Waner to Mayor Bilandic, and letter, September 28, 1977, from Elmer C. Binford to Mayor Bilandic.) In light of the HUD conditions, and of recommendations made by public interest groups, HUD "believe[d] that it is reasonable to assume that a marked improvement in the City's performance will occur during the coming program year." (Letter, October 6, 1977, from Elmer C. Binford to Alexander Polikoff.)

The following portions of this administrative complaint disclose that during the past program year:

- (1) In a numerical sense the City's housing performance continued to be extremely poor. Category by category the City has continued to fall drastically short of its housing goals. For example, in 10 of 15 categories zero housing assistance has been provided which is applicable to Year II HAP goals.
- (2) The housing performance that has occurred has been in substantial nonconformance with the City's approved HAP respecting type of housing to be assisted, households to be assisted, and general locations of the housing provided. For example, the entire Northwest and Southwest sides of the City have shared hardly at all in providing locations for assisted housing.
- (3) The City's performance of its own specific undertakings, and of the conditions imposed upon it by HUD, have likewise been extremely poor. One after another these undertakings and conditions have either not been performed or the City has failed (notwithstanding our requests for information) to provide any evidence of performance. For example, the City has not acquired developable sites in the General Public Housing Area for use by CHA for public housing under CHA's long unused program reservation.
- (4) HUD's monitoring of the City's activities and its enforcement of its own conditions and regulations have been as poor as the City's performance. For example, the City has failed to acquire any land or buildings for Section 8 development in a "priority" area designated by it for such activity and with respect to which HUD insisted upon "immediate attention," yet HUD has declined even to request an explanation from the City, let alone insist on performance of its own requirement.

- (5) Against this background of poor performance and broken promises by the City, the proposals contained in the City's Year IV application are wholly inadequate. For example, the application contains no specific program for acquisitions in the General Public Housing Area for the development of Section 8 housing.

The purpose of this administrative complaint is not to deny community development funds to the City of Chicago but to assure that Year IV funds are appropriately conditioned on specific, enforceable undertakings and that HUD agrees to monitor the City's performance of such undertakings effectively. Although HUD has discretion in the administration of the Community Development Program, we believe that discretion has been abused during the past year and that a failure to impose such conditions and to assure such effective monitoring with respect to Year IV would constitute a further abuse of discretion.

Accordingly, if this administrative complaint is not satisfactorily resolved by appropriate HUD action, the complainants will be forced to seek judicial enforcement of what they believe to be HUD's duty. In addition, absent satisfactory resolution of the portion of this complaint which relates to the City's obligation to assist CHA in utilizing its reservation of public housing units, the Gautreaux plaintiffs will be forced to seek a judicial determination of their rights against HUD in that regard within the Gautreaux litigation.

I. REVIEW OF PAST PERFORMANCE (NUMERICAL)

In determining the acceptability of housing assistance plans, "HUD shall consider an applicant's past performance in providing assisted housing pursuant to the performance standards for implementing housing assistance plans set forth in §570.909..." 24 CFR §570.306(c)(viii). The performance review "[assesses] performance under Housing Assistance Plans submitted to date..." Notice CPD 78-9, April 28, 1978, p.20.

"In measuring progress in achieving HAP goals, HUD will consider a one-year goal to have been met if the recipient has received firm financing commitments for specific projects or units identified in the HAP within a two-year period..." §570.909(e)(2). Thus, in measuring the City's progress in achieving its Year I HAP goal, HUD considers firm financial commitments received in CD Years I and II. Similarly, in measuring the City's progress in achieving its Year II HAP goals, HUD considers firm financial commitments received in CD Years II and III. However, in measuring HAP performance for any year, firm financial commitments, regardless of when received, must first be applied to unmet HAP goals from previous years.*

* Measuring HAP performance is to be contrasted with determining CD Year IV "Transition Year" HAP goals. The method for determining the latter disregards CD Year I for the purpose of determining proportionality. However, the proportionality requirement was not intended to relieve CD recipients of "their responsibilities to continue to address goals established to meet the needs for assisted housing identified in prior program years." 24 CFR §570.306(a)(5). Review of HAP performance, which is an integral part of HUD's HAP review and approval process, is separate and independent from HUD's review of HAP goals. See 24 CFR §570.306(c)(viii) and Notice CPD 78-9, April 28, 1978, p.20.

We have prepared an exhibit (Exhibit I, "City of Chicago HAP Goals and Housing Assistance Provided," attached hereto) which sets forth the City's progress in implementing the one-year HAP goals for CD Years I and II. (Progress in implementing HAP goals for Year III cannot be fully measured until the end of Year IV.)

Exhibit I shows an enormous shortfall in the City's HAP performance. No progress at all has been made toward achieving Year II HAP goals for family new rental units, rehab rental units or rehab homeownership units. No progress at all has been made in achieving Year II HAP goals for large family new rental units, rehab homeownership units or new homeownership units. (In all, zero housing assistance has been provided which is applicable to Year II HAP goals in 10 of 15 categories.) In some other categories progress has been minimal - for example, only 36% of the Year II goal for large family rehab rental units has been achieved. And in some categories - for example, family new rental, rehab rental and rehab homeownership, and large family new rental and rehab homeownership - the City has not yet achieved its Year I HAP goal.

HUD regulations also call for review of a recipient's performance to determine whether "substantial progress [has been made] toward achieving the three-year HAP goals." §570.909 (e)(2). The wholly inadequate progress in achieving the annual goal for Year II makes it obvious that the City has not made "substantial progress" in achieving the much larger 1976 three-year HAP goal. The City is now at the point in time when it

should have accomplished nearly half its three-year goal.

In fact, only 7% of the three-year family goal, 8% of the three-year large family goal, and 19% of the three-year elderly goal have been met.

Unfortunately, these percentages are probably overstated, perhaps substantially. They assume that all proposed assisted housing developments for which Section 8 authority has been reserved have either received or will soon receive firm mortgage financing commitments. Experience indicates that this is not in fact the case. In addition, the figures assume that all households benefited by rental and homeowner rehabilitation programs have either low- or moderate-incomes. In fact, the City has made no showing to this effect.*

* HUD regulations provide that "[i]n order to be included as goals in a Housing Assistance Plan [and hence, counted as performance] any units proposed to be rehabilitated for either owners or renters must be units which are...occupied by lower-income households...." 24 CFR §570.306(c)(vi) (brackets supplied). See also 24 CFR §570.202(c)(2) (rehab provided on a spot basis throughout the applicant's jurisdiction and financed with block grant funds must be for low- and moderate-income persons). Nevertheless, non-lower income households are eligible for assistance under the Neighborhood Housing Services Program (NHS) and various City-administered rehabilitation programs, such as Section 312, Urban Homesteading, Property Release Option Program, and Rehabilitation of HUD-Owned Properties. In addition, under the Financial Assistance to Property Owners Program and the Demonstration Program for the Rehabilitation of Multi-Unit Properties, there appear to be no controls on the income level of renter households. A recent requirement in the latter program is that developers make "up to 40%" of the units in a development available to Section 8 tenants, but if a linkage with Section 8 is not effectuated the requirement is meaningless. (To the extent Section 8 units are in fact provided under this program the units should of course be counted only once towards achievement of HAP goals.)

When recipients have not made substantial progress in achieving their numerical HAP goals, HUD must determine the extent to which such failure "may be due to factors not within the control of the recipient." §570.909(e)(2). In making this determination HUD must consider "the extent to which actions within the control of the recipient have been taken to achieve HAP goals." Ibid. Part III of this complaint shows that the City has not taken actions within its control to facilitate the provision of housing.

II. NONCONFORMANCE WITH APPROVED HAP

HUD regulations provide that "HUD will review a recipient's performance to determine whether the program carried out conforms with the approved application." 24 CFR §570.909(f).

This is to be done in three categories: "[1] the type of housing to be assisted (new construction, rehabilitation, or use of existing housing), [2] the households to be assisted, and [3] the general locations as set forth in the HAP." 24 CFR §570.909 (f)(2) (brackets supplied).

The facts in this regard are shown in Exhibit II, attached hereto. They may be summarized, with brief comment, as follows:

1. Lack of conformance with types of housing to be assisted. The Year II HAP rental goals for providing assistance by housing type are 33% for new construction, 27% for rehabilitation, and 40% for existing. The City's performance shows that, of the rental housing assistance provided which is applicable to the Year II HAP goal, 48% is for new construction, 8% for rehabilitation, and 44% for existing housing. (Performance in the home-ownership category is virtually zero.)

The lack of conformance respecting rehabilitation is particularly distressing. Neighborhood preservation and revitalization is a principal objective of the Housing and Community Development Act, and housing rehabilitation is a crucial element in achieving that objective. Yet the City's performance in providing housing assistance through rehabilitation - 180 units - barely makes a dent in the 3066 rehabilitation goal.

2. Lack of conformance with types of households to be assisted. The Year II HAP goals for providing housing assistance by household type are 28% elderly and 72% non-elderly. Elderly units comprised 48% of the housing assistance provided applicable to Year II while non-elderly units comprised 52%.

Although the purpose of the proportionality requirement for Year IV HAP goals is to address the imbalance between elderly and non-elderly households assisted, the City's failure to take special steps, as directed by HUD, to meet the housing needs of families and large families is not being remedied. See Parts III, IV and V of this complaint. Absent such steps, the imbalance may be expected to persist.

3. Lack of conformance with general locations set forth in the HAP. The general locations for proposed housing for lower-income persons as set forth in the Year I and Year II HAPs appear to relate only to proposed Section 8 housing units. Exhibit II reveals substantial nonconformance between the location of Section 8 new and substantial rehabilitation units having received firm financial commitments and the locations set forth in the Year I and Year II HAPs.

In particular, Exhibit II shows that there has been no new construction or rehabilitation of either elderly or non-elderly units in Areas II and III of the General Public Housing Areas despite an allocation for these areas in the Year I and Year II HAPs of 1147 units. This means that large portions of the City - the Northwest and Southwest sides - have not shared at all in supplying assisted housing, and that assisted housing continues to be disproportionately concentrated in poor and minority areas contrary to the objectives of the Housing and Community Development Act. See 42 U.S.C. §§5301(c)(6), 5304(a)(5).

III. REVIEW OF PAST PERFORMANCE (SPECIFIC CITY
UNDERTAKINGS AND HUD-IMPOSED CONDITIONS)

Parts I and II of this Complaint reveal a serious failure of performance in relation to the City's housing goals. Under such circumstances HUD regulations call for inquiry as to whether the failure may be due to factors not within the control of the recipient, and in particular "the extent to which actions within the control of the recipient have been taken to achieve HAP goals." 24 CFR §570.909(e)(2). It is clear that Chicago has failed to take a wide variety of such actions (many of which HUD has directed it to take), and that the housing performance failure in Chicago is not due to factors beyond the City's control.

At the outset two "excuses" should be set aside. The first is the failure of private developers to submit housing proposals in the quantities, types and locations called for by the City's HAPs. HUD regulations state that to implement their HAPs recipients themselves are to undertake the development of Section 8 housing "when notifications of funding availability are not responded to by private developers." 24 CFR §570.306(a)(3).

Moreover, HUD has specifically told the City to submit its own housing development proposals if necessary to meet its HAP obligations. Indeed, HUD approved the City's Year III HAP with the "expectation and assumption" that the City would act "directly as the developer if the private market cannot provide the units." (Letter, Elmer C. Binford to Mayor Bilandic, September 28, 1978.) (Alternatively the City could utilize its housing authority for both Section 8 and public housing developments if it does not wish to submit proposals of its own.) Thus, the failure of private developers to propose any significant number of the desperately needed new construction units for large families,* or to propose any new construction or rehabilitation at all on the Northwest or Southwest sides of the City, means only that the City and/or CHA should have submitted the needed proposals. They have not done so.

The second "excuse" is the Gautreaux case. This year, as in the past, the City has made reference to the restrictions on housing development imposed by Gautreaux. The restrictions referred to - that newly constructed assisted and subsidized housing go forward in white neighborhoods of the City as well as in black - are not arbitrary frustrations of housing development but are intended to remedy an historic practice of placing

* At a City-sponsored conference held on June 30, 1978, Lewis W. Hill, the City's top community development official, stated, "I don't see any developers interested in building for large families because such units do not make money." No change in this respect is indicated by the responses to the most recent invitation for proposals of the Illinois Housing Development Authority and to HUD's recent NOFA, according to our information.

subsidized housing almost exclusively in minority neighborhoods. The restrictions are moderate in that they do not preclude new construction in minority areas entirely (as was the case, for example, in a "Gautreaux-type" federal court decision in Cleveland, Ohio), but affirmatively permit new construction to go forward simultaneously in both areas.*

The circumstances thus call for an intensive effort by the City to facilitate the provision of assisted and subsidized newly constructed housing in the General Public Housing Areas of the City. The City has recognized this obligation by emphasizing its intention to acquire and resell to housing developers land suitable for housing development in these areas. Yet the City's performance in this critical respect has been abysmal. The City has not reported the acquisition and resale to a developer of assisted or subsidized housing, public or private, of a single parcel of land in the General Public Housing Area of the City.

* It is relevant to observe that the City's housing performance record would be substantially worse than it already is were it not for orders entered in the Gautreaux case at the instance or with the cooperation of the Gautreaux plaintiffs. Thus, orders entered on February 11, 1976 and September 27, 1977 authorized the development of a total of 338 new or rehabilitated Section 8 units. In addition, although not properly treated by the City in its HAP (see Exhibit I, Attachment C), the rehabilitation of 1384 CHA units, and the provision of Section 8 existing housing subsidies to 389 families already being subsidized through model cities funds, claimed by the City as part of its housing performance, were made possible by Gautreaux orders. Thus, much of the City's claimed housing performance is not a good faith effort to provide housing in conformity with the housing dispersal objectives of the Gautreaux case and the Housing and Community Development Act, but has been made possible only by exception to the Gautreaux decree.

It would lengthen this complaint unduly to list each of the specific actions which the City has indicated it would take, or which HUD has directed it to take, and which the City has then failed to carry out. The record of this failure appears in the following documents:

1. Chicago Year III Housing Assistance Plan, dated July, 1977.
2. Letter, John L. Waner to Mayor Bilandic, August 22, 1977.
3. Letter, Lewis W. Hill to John L. Waner, September 2, 1977.
4. Letter, Elmer C. Binford to Mayor Bilandic, September 28, 1977.
5. Letter, Lewis W. Hill to Elmer C. Binford, December 27, 1977.
6. Letter, Alexander Polikoff to Elmer C. Binford, January 4, 1978.
7. Letter, Lewis W. Hill to Elmer C. Binford, January 17, 1978.
8. Letter, Alexander Polikoff to Elmer C. Binford, January 23, 1978.
9. Letter, Elmer C. Binford to Lewis W. Hill, February 6, 1978.
10. Letter, Lewis W. Hill to Elmer C. Binford, April 14, 1978.
11. Letter, Alexander Polikoff to Elmer C. Binford, April 24, 1978.
12. Letter, Lewis W. Hill to Elmer C. Binford, July 13, 1978.
13. Chicago Year IV Housing Assistance Plan, dated May, 1978.

Instead illustrations of several of the more important failures will be set out here. However we specifically request HUD to review all of the above listed documents in its consideration of this complaint. (In the following discussion the letters listed above are referred to by date only.)

Utilization of Public Housing Reservation

Following HUD "recommendations" (August 22, 1977), the City agreed to explore using CDBG funds to acquire sites in the General Public Housing Area to be transferred to CHA for family public housing construction. (December 27, 1977.) No

report on that exploration has ever been submitted to HUD to our knowledge, and we know of no such acquisitions and transfers. CHA's reservation of some 1200 family public housing units remains unused.

Apart from frustrating remedies for the Gautreaux plaintiff class, this failure of the City is particularly relevant to the needs of large families as to which HUD said the City "shall during this program year [Year III] give special attention and make special efforts..." (September 28, 1977.) As the City recognizes (see footnote, supra), private developers are not likely to submit proposals responsive to the needs of large families. Moreover, HUD regulations note that public housing developments may provide an important means of addressing such large family needs. See 24 CFR §841.103(a), and 41 Fed.Reg. 50946, November 18, 1976.

Resale of Acquired Land and Buildings for Assisted Housing Developments

A major theme in connection with HUD's approval of the City's Year III HAP was the necessity of stimulating Section 8 new construction and rehabilitation activity in the General Public Housing Areas of the City through the City's acquisition and resale to developers of sites for new construction and buildings for rehabilitation. HUD's letter of August 22, 1977, requested that within three months after CDBG approval the City identify at least three areas for "immediate attention,"

complete a survey of sites for potential acquisition within them, and submit a schedule for completing certain key activities, including "offering of available land to potentially interested developers," submitting specific proposals for "transfer of such available land to private developers," and "acquiring rehabilitable buildings and making them available to interested developers..."

In response the City identified three "priority" areas for "immediate attention." (September 2, 1977.) One, however, was a small, blighted area of 5.71 acres (Haskins-Hermitage) which had previously been scheduled for acquisition and clearance and in which such activity was already underway (Ibid.), leaving only two areas, Uptown and Armitage-Kedzie, for new assisted housing activity. In neither area has the City to our knowledge acquired and offered to housing developers a single site for new construction or a single building for rehabilitation. In neither has it submitted the "specific proposals" HUD requested by the end of last year. Indeed, in one of the areas, Armitage-Kedzie, the City reports no longer even speak of any intention to acquire and resell land and buildings, contrary to the City's express undertaking that "activity in Uptown and Armitage-Kedzie will include acquisition and clearance and acquisition for rehabilitation." (September 2, 1978, and Year III HAP, p.28.)

Of course the "priority" areas were only a means of stimulating specific and immediate action. The City also promised to provide sites and site improvements generally - with "emphasis...upon...sites which are located in the General Public

Housing Area" - for Section 8 developments (Year III HAP, p.28), and was requested to acquire rehabilitable buildings and make them available to interested developers of Section 8 housing. (August 22, 1978.) As to buildings, HUD requested the City to formulate and carry out a comprehensive, eight-step program respecting the rehabilitable buildings to be acquired by it. (Ibid.)

The City responded that it would transfer land "to private developers for Section 8 housing," that it was its intention to "acquire multi-family, walk-up apartment structures for...rehabilitation," and that it would furnish a "proposal for acquisition and resale of structures to developers interested in Section 8 rehabilitation...as requested." (September 2, 1977.) To our knowledge the City has not furnished such a proposal or formulated or carried out such a program. We are not aware of the acquisition and resale to a Section 8 housing developer of either land or buildings in the General Public Housing Area with the possible single exception of the small blighted area the City had already begun to acquire during the second year of its community development program.

Rehabilitation

Rehabilitation of existing housing - particularly of multi-family housing - is widely recognized to be a critical element of a community development program, indeed of national urban policy. Rehabilitation must therefore be encouraged in a variety of ways in addition to the acquisition and resale of rehabilitable buildings by the City. HUD has said that during CD Year III the City "shall...give special attention and make special efforts

in the family and large family...rehabilitation areas." (September 28, 1977.) The key City program to achieve this goal is the multi-unit rehabilitation demonstration grant program which has appeared in each of the City's CD applications. However, during the course of the three years only about 13 applications under the program have been approved (for approximately 197 units) and not a single rehabilitated dwelling unit has been produced by it. (Statement of Lewis W. Hill, July 5, 1978, at a meeting of the Finance Committee of the Chicago City Council.)*

Beginning with CD Year III the City agreed to require developers under its multi-unit rehab grant program to set aside "up to 40%" of the rehabilitated units for Section 8 families. However we are not aware of any mechanism for effectuating this requirement. (Without a linkage to Section 8 it is questionable whether units provided under this program will be affordable by lower-income households.)

We have sought to explore the reasons for the failure of this program to produce any units by examining program records, but the City has refused to permit such examination. We have also sought clarification from the City respecting the "up to 40%" requirement but our requests for information have been ignored.

* In addition, the City recently approved a grant under this program for Palmer Square Apartments, an approximately 170-unit rehabilitation development. Palmer Square had been counted by the City as having received a firm financial commitment (a reservation of Section 8 authority) in CD Year I. Thus, this project does not represent additional lower-income housing units.

Rehabilitation in Chicago on any meaningful scale simply does not exist. There is no evidence that the City has identified and addressed the reasons for the failure; our efforts to inquire into the reasons have been frustrated.

Rezoning for Residential Use

For over a decade, since its Comprehensive Plan of 1966, the City has been proposing to rezone obsolete industrial and commercial land for residential purposes. For nearly three years CHA - under prodding from the special master in the Gautreaux case - has been asking the City to undertake such rezoning for its benefit in General Public Housing Areas. Last August HUD requested the City to provide it with "specific plans for rezoning and utilization of land for assisted housing purposes." (August 22, 1977.) The City finally promised a report by the end of the year. (December 27, 1977.)

To our knowledge no such specific plans have been submitted to HUD and no rezoning has taken place. The only relevant zoning action of which we are aware was the City's denial of a requested zoning change for a proposed Section 8 elderly housing development on the Southwest side which resulted in the demise of the proposed development.

Assisted Housing in Major Residential Developments

HUD requested that the City require that major residential developments set aside a portion of their housing units for

Section 8 assisted families (August 22, 1977 and September 28, 1977). The City referred this request to its Law Department (December 27, 1977), and so far as we are aware it has not been heard from since. We are aware of no occasion upon which the City has conditioned "city approval of...planned unit developments, zoning variances, building permits or other pre-construction requirements for major residential developments" (August 22, 1977) upon the provision of assisted housing.

Encouraging Landlord Participation in Section 8 Existing Housing

HUD recommended that the City "develop a program for identifying and encouraging the participation of potential landlords" in the Section 8 existing housing program (August 22, 1977), and later directed the City to submit the program to it within 90 days of CDBG approval. (September 28, 1977.) No such submittal has ever been made and no description of the landlord program has to our knowledge ever been communicated to HUD notwithstanding our repeated requests for this information.

Lack of Coordination with Other Resources

The Housing and Community Development Act requires coordination of housing activities with non-housing resources, 42 U.S.C. §§5301(d)(4) and 5304(a)(2). These requirements reflect the truism that isolated housing efforts in declining neighborhoods are likely to prove ineffective; supportive neighborhood revitalization activities are required. Accordingly, such coordination was an obvious candidate for one of the "affirmative actions"

to help meet housing goals which HUD asked the City to undertake in its September 28, 1977, letter. However, the City's reports to HUD have never supplied any meaningful detail concerning the planning and implementation of such essential and legally required coordination.

* * *

This list could be expanded but the pattern is clear. Action after action, requested specifically by HUD and in some instances promised by the City, has either been ignored or no information with respect to it has been supplied. The City has, albeit belatedly, solicited private developers activity through advertisements, mailings and conferences. But, the private sector not having responded ("Only one firm proposal for site acquisition assistance has been received as a result of the advertisements and special mailing" - April 14, 1978), the obligation has been upon the City to undertake specific actions within its power to achieve its housing goals, including land acquisition, building acquisition, acting as a Section 8 developer, etc. HUD's September 28, 1977, letter was explicit:

"This approval is given with the expectation and assumption that with respect to housing, the City will take all appropriate actions within its control... This may include the provision of sites and site improvements; assuring that all necessary zoning, platting and permits are promptly issued; and, the city acting directly as the developer if the private market cannot provide the units..." (September 28, 1977.)

The correspondence listed and the City's failures discussed above reflect the failure of HUD's "expectation and assumption."

IV. INADEQUATE MONITORING AND ENFORCEMENT BY HUD

The record of the City's failure, detailed in the previous section, is also in large part a record of HUD's failure to monitor the City's performance and to enforce its own regulations and the conditions it itself imposed in connection with its approval of the City's Year III CD application. Conditioning grants is intended to spur better performance and avoid the alternative and more drastic step of grant reduction or rejection. See 24 CFR §570.910.* But conditions will be effective only if HUD insures their implementation through careful monitoring and enforcement; conditions subsequently ignored erode HUD's authority and integrity.

The documents listed at p. 13, supra, beginning with HUD's letter of August 22, 1977, show a persistent failure by HUD to monitor and enforce its own conditions and regulations. The August 22 letter contains sharp criticism of the City's poor HAP performance and recommends that the City implement a number of remedial measures. HUD's September 28,

* HUD regulations also make a recipient's record of compliance with past conditions or other required corrective actions an important factor in evaluating past performance for purposes of HUD review of current year CD applications. 24 CFR §570.311(b)(2)(vii).

1977, letter expressed HUD's "firm belief" that the City could take "additional actions...to assure better [housing] performance," and as a condition of approval of the third year grant set forth a series of actions to be taken, including a comprehensive program of affirmative actions to accomplish housing goals, with "specific timetables" to be submitted within 90 days and performance reports to be submitted in January, March, and June, 1978.

The City's program and its three performance reports totally ignored many of HUD's recommendations and conditions and presented only sketchy, general statements of intent with respect to others. Despite this, and our several communications to HUD pointing out these insufficiencies, HUD routinely accepted the City's submissions without adverse comment. HUD took no enforcement action, did not inquire about slow implementation, did not ask the City about the HUD conditions and recommendations ignored in the City reports, and did not ask for detail on the City's general statements of intent. In this Part IV we provide some illustrations.

Public Housing Sites

HUD recommended that the City "identify developable sites" for CHA family public housing and work both with CHA and private developers to "get development going" under CHA's program reservation. (August 22, 1977.) The City responded that it would identify sites for CHA family public housing construction in the general public housing areas. (September 2,

1977.) In the ensuing year, the City has not reported on this activity and so far as we are aware HUD has not directed the City to carry out its recommendation or even sought information from the City concerning it.

Family and Large Family Housing

HUD directed the City to "give special attention and make special efforts" with respect to family and large family housing, including "acting directly as the developer if the private market cannot provide the units." (September 28, 1977.) The City ignored this condition almost totally in its December 27 "program of affirmative actions" submission to HUD, and its subsequent communications to HUD evidenced no special attention or efforts to compensate for the failure of private developers to provide family and large family housing in the desired amounts. In particular, the City gave no indication that it was even considering acting as a developer to produce such housing. Nonetheless, so far as we are aware HUD has made no further requests of the City to act directly to provide family and large family housing, nor even asked the City for further information on this matter.

Acquisition

HUD directed the City to acquire and resell to developers of Section 8 housing both housing sites and rehabilitable structures in three project areas. In addition, as part of the City's affirmative program to accomplish all housing goals,

HUD specifically suggested "an active program of housing site identification and acquisition through the use of block grant funds..." (September 28, 1977.) To date the City reports the acquisition of only six parcels (all in the small priority area in which acquisition began in Year II), and the acquisition of no rehabilitable structures. So far as we are aware none of the six parcels has been sold to developers, and the City has not reported which, if any, will be devoted to Section 8 development. In our letters to HUD of April 24, 1978 and January 23, 1978, we twice directed attention to Chicago's failures to comply with HUD recommendations and conditions in this regard. To our knowledge HUD has not insisted upon compliance with its direction or even required the City to report further concerning its acquisition and resale of housing sites and rehabilitable buildings.

Conditioning Permits for Planned Unit Developments on the Setting Aside of Units for Section 8 Families

HUD recommended that the City consider conditioning City approvals for major residential developments on the developer's setting aside a portion of the units for Section 8 tenants. (August 22, 1977.) In December the City reported referring this matter to its legal department. (December 27, 1977.) Chicago has not mentioned this subject in any of its subsequent reports, as we indicated in our letter to HUD of April 4, 1978, when we requested that further information be provided. To our knowledge HUD has not asked for any additional information or directed that any further steps be taken to implement its recommendations.

Existing Housing

HUD directed the City to "develop and submit to HUD... a program to identify interested landlords...under the Existing §8 Housing Program." (September 28, 1977.) The City's response to this directive has been to report nothing more specific than that a task force "identifies landlords interested in participating in the program." (April 14, 1978.) As we pointed out to HUD,

The City's...reports have entirely failed to describe what this program consists of... To comply with your September 28 letter the City should specify what steps the Task Force is taking to identify landlords and indicate how many landlords willing to participate have been identified." (April 24, 1978. See also our letter of January 23, 1978.)

Nevertheless, HUD has declined to require the submission of any information as to this program. We still do not know what the supposed program consists of.

Community Development Audit

HUD regulations require that CD program audits take place at least once every two years (24 CFR §507.509(b) and that the audit be submitted to HUD within 15 days of the close of the last year under audit. (HUD Handbook IG 6505.2, Ch.2, p.8.) Under these rules, Chicago's audit was due February 28, 1978. Though the HUD Area Office reminded Chicago of the audit requirements in its September 28, 1977, letter, the audit was not

filed on the due date, or for months thereafter. We understand that an incomplete audit was filed by the City with HUD on or about July 15, 1978, some 4-1/2 months after the audit was due, but that because of its incompleteness HUD declined to make a copy of the audit available to us. As of July 31, 1978, we had still not received a copy of the audit and our Freedom of Information Act request for a copy, filed with HUD on July 17, 1978, remains uncomplished with.

Because of the City's extreme tardiness citizens could not review the audit in conjunction with preparation of the City's Year IV application, which was submitted to HUD on July 15. Despite these facts, and the fact that nearly \$90 million in community development funds are the subject of the audit, HUD ignored our requests to insist that the audit be made available earlier.

* * *

HUD regulations recognize that conditions imposed upon community development grants can serve important remedial functions without depriving cities of the benefits of community development funds. In the case of Chicago, HUD's lax monitoring and enforcement has made a mockery of this important remedial tool.

V. DEFECTS AND OMISSIONS IN YEAR IV APPLICATION

The City's Year IV application fails to meet requirements of the Housing and Community Development Act and HUD regulations respecting housing in critical respects. First, the application almost wholly fails to provide required information concerning the City's plans to coordinate its use of CD and non-CD resources and other actions with its housing activities. Second, the activities which the application identifies as designed to meet HAP goals are plainly insufficient to accomplish that task. These failings are especially disturbing because they indicate that the City has no effective plans to remedy its past failures to achieve its HAP goals.

(In addition the application fails to set forth actions to be taken to mitigate the adverse effects of displacement as required by 24 CFR §570.302(h) (see also 24 CFR §570.307(o)), or to identify the entity responsible for each CD activity as required by 24 CFR §570.305(a)(2).)

A. Failure to Coordinate Community Development and Other Resources with Housing Assistance

One of the major themes of the Community Development Program is the need for non-housing resources to be employed in a

coordinated manner in support of housing assistance. Neither the statute nor HUD regulations contemplate that housing activities shall be carried on in isolation. As Congressman Ashley has stated,

"We cannot have sound community development without a close tie-in with housing assistance and...we cannot have effective housing programs without local governments providing adequate facilities and services and a healthy community environment for housing."*

The Act and regulations therefore require supportive planning, resources, and activities to foster the development of new and rehabilitated housing in conjunction with neighborhood revitalization, thereby preserving and enhancing the benefits of housing assistance. A principal purpose of the Act is to foster "...the undertaking of housing and community development activities in a coordinated and mutually supportive manner..." 42 U.S.C. §5301(d)(4). The statute also requires that an applicant demonstrate a comprehensive strategy for meeting community development and housing needs, identify resources other than Community Development funds to be made available in meeting those needs, and include as part of its HAP an indication of the locations of lower income housing with the objectives of fostering neighborhood revitalization and utilizing a broad range of techniques by public and private actors to reclaim deteriorating housing. (42 U.S.C. §5304(a).)

* The Housing and Urban Development Act of 1973, Committee Print, House Committee on Banking and Currency, 93rd Congress, 1 Sess., p.156, as cited in Stone, "Analyzing the Housing Assistance Plan," Economic Development Law Project Report, May/June 1978.

HUD regulations also emphasize this coordination requirement. See, for example, 24 CFR §§570.301(a) and (b). In addition, the regulations specifically require a high degree of coordination between housing and other activities in Neighborhood Strategy Areas (NSAs). 24 CFR §§570.200(h) and 570.301(c).

Despite these clear requirements, the City's Year IV application contains little information about coordinated planning and non-housing activities in support of housing efforts, and fails to describe how resources other than Community Development funds will be used in support of housing. The application also fails to provide sufficient information about coordinated activities in interim NSAs. In these ways, the application fails to conform to important regulations implementing the crucial coordination objective of the statute.

The principal portion of the CD application in which the City identifies non-CD resources to support housing is the section, "Overall Strategies," included in the "Community Development Plan Summary" (pp.27-32). This section is little more than a "wish list" characterized by general statements such as, "Coordination with the private sector for this purpose [preservation of housing] shall also be undertaken."

At the same time, other sections of the application which ought to include information about resources to be used in support of housing activities omit any mention of them. For example, the "Other Funds" column of the activity description table in the application is completely blank. In addition,

the application fails to mention coordination with sources of funds which plainly could and should be used to support housing actions and neighborhood revitalization efforts. Local capital improvements is an example. The application refers to a capital improvements budget (Community Development Plan Summary, p. 25) and requests CD money for capital improvements projects (Fourth Year Community Development Program Individual Projects and Activities, (hereafter referred to as "CD Activities"), II.A.1.a., p.10), but does not explain how and where the City will use its own capital improvements budget to support housing activities. The same type of information respecting other resources, such as federal EDA funds and SBA loans, which could support commercial development in conjunction with housing activities, is likewise omitted from the application.

In sum, the City's application, with its cryptic descriptions and glaring omissions, is wholly insufficient in identifying and describing the use of non-CD resources in support of housing activities.

In addition, and separately, the City similarly fails to identify or explain what activities are planned for which of the designated interim NSAs. The City lists several criteria for selecting interim NSAs and identifies four types of NSAs, but does not relate the criteria or types to the 20 interim NSAs designated. The application then identifies a wide range of

public service activities planned for all of the areas generally (CD Activities, pp.27-36), but does not state which activities - e.g., housing, other physical improvements, public services - will take place to what extent in each NSA.

This lack of specificity violates HUD regulations and policy governing interim NSAs. HUD regulations require applicants to present planning information for each interim strategy area.

"...For each area designated as an NSA, the applicant shall include a brief narrative description of its plan for stabilizing and upgrading the area which:

- (i) provides for a combination of physical improvements, necessary public facilities and services, private investment, and citizen self-help activities appropriate to the needs of the area; and
- (ii) coordinates public and private investment efforts." 24 CFR §570.200(h)(2) (emphasis added).

HUD's recent statement, Notice CPD 78-9, amplifies this requirement. The statement emphasizes the importance of coordinating and concentrating CD funded physical improvements to foster neighborhood revitalization, and refers to the dangers of spreading physical improvements and public services without coordination over too large an area. For these reasons all CD funded public services are limited to the interim NSAs only. CPD 78-9, pp.11-12; 24 CFR §570.201(e)(1). The statement requires that whenever an applicant applies for CD funding of public services, HUD should:

"...review the designated interim NSAs to insure that they can be reasonably described as areas of concentrated block grant funded physical development activity....

The resources to be provided in a NSA must be sufficient to produce substantial longterm improvements within a reasonable period of time...In determining whether the size of a designated NSA is reasonable, it is thus necessary to consider the level of funding being provided in relation to the severity of the needs of that area.

* * *

...where it is clear that the basic thrust of a proposed program is the provision of public services, and the physical improvements are of limited scope and effect, cities should be advised to cut back the area to reasonable size so that available resources in fact are provided in a concentrated manner. Where designated NSAs do not meet these requirements, any public services proposed in such areas should be found ineligible. (CPD 78-9 at pp.11-12.)

Because of the City's failure to provide area-specific information, as required by the regulations, HUD officials cannot make the required evaluation. (See, e.g., CPD 78-9 at p.12.) Thus, on the basis of the information provided by the City's application, HUD cannot determine whether the millions of CD dollars Chicago has requested for public services in the interim NSAs are even eligible for CD funding, let alone whether they are proposed to be used in an effective manner. See 42 U.S.C. §5305(a)(8) and 24 CFR §570.201(e).

B. Inappropriateness of the City's Proposed Activities to Meet Its Housing Goals

The City is "responsible for implementation of the housing assistance plan in an expeditious manner," including the "timely achievement of all goals for assisted housing and particularly

those which address the needs of families and large families requiring rental assistance." (24 CFR §570.306(a)(3).)

Applicants are to take "all actions within their control" to implement their HAPs, including "the development of Section 8 housing when notifications of funding availability are not responded to by private developers." (Ibid., emphasis added.

Notice CPD 78-9 states that actions typically within the control of the recipient include "the formal actions of submission of proposals or applications for assisted housing." p.20.) HUD is called upon to determine whether the activities to be undertaken by the City are plainly inappropriate to meeting the needs and objectives identified by the City. 24 CFR §570.311(c)(2). Examples of situations in which such a determination should be made include:

- (1) Experience demonstrates that the types of activities proposed have not been or are unlikely to be effective (24 CFR §311(c)(2)(i)).
- (2) Essential actions, including supportive community development activities, are not proposed (24 CFR §311(c)(2)(vi)).
- (3) The program proposed does not reflect previous HUD requirements for corrective or remedial actions, or activities proposed have previously been the basis of such requirements (24 CFR §311(c)(2)(vii)).

The following discussion shows that the City's program to implement its HAP is plainly inappropriate when measured against these regulatory standards.

1. Inadequacy of Activities Considered

Of the City's seven listed "Actions to be Taken to Implement Transition Year HAP" (HAP, pp.8-10),* most have been

* An eighth is two UDAG applications involving Section 8 housing, which however have not been funded by HUD.

tried and have proven ineffective. Yet the City simply proposes them again, with little detail, no new initiatives, and no suggestion of administrative or programmatic changes to increase their effectiveness.

For example, one of the most glaring failures in the City's past housing performance has been housing rehabilitation. As discussed above, the City's key rehabilitation program, the Multi-Family Rehabilitation Demonstration Program, has proceeded at a snail's pace. In three years the City has approved only a paltry number of applications. The program apparently has not produced a single rehabilitated unit and the City has provided no assurance that low or moderate income families will even be the beneficiaries of the program. In the language of the regulations, experience demonstrates that this program has not been effective. Yet the City proposes (as one of its seven proposed actions) merely to "continue to implement" this program; no modifications of the program are discussed or proposed and, with the exception of an NSA proposal for two areas in the Limited Public Housing Area, no new rehabilitation initiatives are proposed.

Another prominent failure is the City's record in acquiring and reselling housing sites and rehabilitable buildings for assisted housing developments in general public housing areas, particularly Areas II and III. The City's list of actions to be taken does not mention buildings at all, and of 19 areas described as having "priority sites" for housing development, only two and a fraction of a third are in the General Public Housing Area. Neither is there any specificity in the proposal

to provide "assistance in land acquisition and by making land available" - a statement whose generality is unresponsive to the specific programs HUD long ago requested and is unjustified by the City's dismal performance record in General Public Housing Area land acquisition.

The remaining actions proposed are quite evidently inappropriate to meeting the City's housing objectives. For example, the first, "encouraging" developers to use Section 8, falls far short of HUD's own recommendation that city approvals of planned unit developments, zoning variances, building permits and other pre-construction requirements for major residential developments be conditioned on the use of Section 8, a recommendation that the City virtually ignored this past year.

The second and third, mailings to developers and seminars and discussion sessions, hardly represent the kinds of initiatives which are clearly now called for. Developers who are seriously interested in Section 8 housing probably do not even need the City to "publicize the availability of Section 8 funding" beyond the publicity HUD normally provides, and additional seminars and discussion sessions are not likely to change the economics of providing housing for large families, as the City's top community development official has himself recognized, or the paucity of private proposals for general public housing areas, as the proposals submitted in response to HUD's most recent NOFA demonstrate.

The last proposed action - requesting HUD pre-approval of urban renewal sites selected for Section 8 development - is a step long available under HUD regulations.

2. Failure to Include Essential Actions

The inadequacies of the City's HAP implementation program appear even more plainly when the many potentially effective actions the City has omitted are considered. Actions which reflect remedial steps recommended by HUD in its August 22 and September 28 letters are consistently ignored. (See 24 CFR §311(c)(2)(vii).) For example, the City fails to propose a specific program to aid CHA in utilizing its public housing reservation, or a related program for Section 8 development by the City itself in those areas, such as Areas II and III of the General Public Housing Area, where private developers have not made proposals.*

* The omission of any program for the City or CHA to submit Section 8 development proposals themselves is an especially egregious omission. The HAP proposes 915 units of Section 8 family new construction in general public housing areas (Geographic Allocation Table of Year IV HAP) and states that the locations identified "contain sufficient ...available sites for new construction to allow accomplishment of the goals proposed." (p.11.) It is known on the basis of three years of unhappy experience, including the response to a HUD NOFA and an IHDA invitation for proposals this year, that private developers are highly unlikely to propose new construction Section 8 developments in such amounts and areas, particularly for the most needy group, large families. Under such circumstances HUD regulations require the City or its housing authority to undertake the needed development themselves. Instead the City's HAP contains this sentence:

"If the response of private developers for Section 8 housing assistance reflects a demand that is significantly contrary to the established geographic areas, the City of Chicago...if appropriate will request Federal concurrence in allocation revisions which more accurately reflect demand for the program."

The City also ignores actions suggested by the regulations, such as zoning and building code changes, tax abatement, inclusion of assisted housing in planned unit developments, and regulations of redlining. (See 24 CFR §§570.306(b)(3)(iii), and 570.304(b)(2)(ii).)

These suggestions are neglected even though evidence of their applicability to Chicago exists in the City's application. For example, the City ignores regulation of redlining while acknowledging that redlining causes housing abandonment and deterioration in Chicago. (Community Development Plan Summary, p.17). Tax reform is likewise ignored although several months ago the City received a detailed study from TRUST, a public interest group, analyzing the adverse impact of the present real estate tax system on housing conditions and rehabilitation efforts.

In sum, the specific actions the City now proposes to implement in its Year IV HAP constitute a sickly list. They fail to reflect actions previously recommended by HUD, either because such actions are omitted entirely or are set forth without the specificity HUD requested. The City's own experience demonstrates that most of the activities proposed have not been and are unlikely to be effective in addressing the most serious deficiencies in the City's past performance. And other essential actions are not included at all.

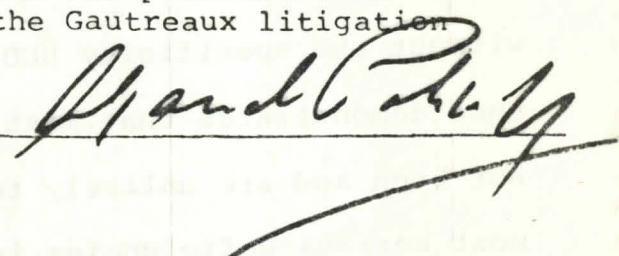
The conclusion is unavoidable that the housing activities to be undertaken by the City are plainly inappropriate to meeting the housing needs and objectives identified by it.

CONCLUSION

This complaint demonstrates that the City has failed to make substantial progress in meeting its Year II HAP goals, has not provided housing assistance in conformance with its HAP, and has not taken all actions within its control to facilitate HAP implementation. Despite the City's non-performance, HUD has failed to monitor the City's activities effectively and has failed to enforce its own regulations and imposed conditions. In addition, the City has failed to identify in its fourth year Community Development Application activities appropriate to meeting identified housing needs and to remedying the deficiencies of its past performance.

Respectfully submitted,

Alexander Polikoff
Elizabeth Lassar
James A. Geocarlis
Mary Galloway James
on behalf of BPI
(Business and
Professional People
for the Public Interest)
and the plaintiffs in
the Gautreaux litigation

By 

August 1, 1978

E X H I B I T I

CITY OF CHICAGO
HAP GOALS AND HOUSING ASSISTANCE PROVIDED*

	CD Year I HAP Goal	Housing Assistance Provided- Applicable to CD Year I	Unmet CD Year I HAP Goal	CD Year II HAP Goal	Housing Assistance Provided- Applicable to CD Year II	Unmet CD Year II HAP Goal
<u>Elderly</u>						
New Rental	1736	1736	0	890	991	0
Rehab Rental	903	681	222	309	0	309
Existing Rental	970	228	742	828	0	828
Rehab Homeownership	97	52	45	67	0	67
New Homeownership	0	0	0	0	0	0
	<u>3706</u>	<u>2697</u>	<u>1009</u>	<u>2094</u>	<u>991</u>	<u>1204</u>
<u>Family</u>						
New Rental	2868	879	1989	612	0	612
Rehab Rental	2627	1179	1448	775	0	775
Existing Rental	380	380	0	1348	606	742
Rehab Homeownership	858	593	265	653	0	653
New Homeownership	0	0	0	100	1	99
	<u>6733</u>	<u>3031</u>	<u>3702</u>	<u>3488</u>	<u>607</u>	<u>2881</u>
<u>Large Family</u>						
New Rental	300	156	144	383	0	383
Rehab Rental	5	5	0	501	180	321
Existing Rental	100	100	0	169	304	0
Rehab Homeownership	995	342	653	761	0	761
New Homeownership	0	0	0	100	0	100
	<u>1400</u>	<u>603</u>	<u>797</u>	<u>1914</u>	<u>484</u>	<u>1565</u>

* The goal figures in columns 1 and 4 are explained in Attachment A. The housing assistance provided figures in columns 2 and 5 are explained in Attachment B. Attachment C identifies projects which have been previously identified by either HUD or the City but which are not included in Attachment B, and explains why they are not included. Reporting of the City's housing performance by both HUD and the City has at times been confusing. This exhibit is based on what appears to be a fair reading of both HUD and City reports.

ATTACHMENT A

This attachment explains the figures which appear in the columns headed "CD Year I HAP Goal" and "CD Year II HAP Goal." Unless otherwise stated, the figures were obtained from the Year I and Year II HAPs, respectively.

CD Year I HAP Goal

Elderly, Family, and Large Family Rehab Homeownership.

The figures in these categories are based on a Year I total rehab homeownership goal of 1950 as reflected in the Year I Grantee Performance Report (GPR). (The Year I HAP also indicates a total rehab homeownership goal of approximately the same number.) There is no breakdown of the total rehab homeownership goal by household type (elderly, family, large family) in either the Year I GPR or the Year I HAP. Therefore the CD Year I HAP goal figures for rehab homeownership by household type are based on the relative proportions of the CD Year II HAP rehab homeownership goals by household type.

Elderly, Family, and Large Family Rehab Rental. The goal figures in these categories were obtained by subtracting the rehab homeownership goals for each category from the total rehabilitation goal figures which appear in the Year I HAP under each category.

CD Year II HAP Goal

Elderly, Family, and Large Family Rehab Rental. The goal figures for these categories which appear in the Year II HAP include the number of units rehabilitated under CHA's City State Rehab Project, #IL06-0036-001 - 91, 1112, and 181 units respectively. Under this project, the expenditure of Section 8 substantial rehabilitation funds to rehabilitate eight CHA existing projects was authorized by a court order in the Gautreaux case, entered on September 27, 1976, at the joint request of the plaintiffs and CHA. These public housing units were already assisted and rehabilitating them does not add to the supply of assisted housing units. Therefore, it is inappropriate to include these units in HAP goals and we have subtracted them from the appropriate categories. (As noted in Attachment C, these units have been excluded from the housing assistance provided figures as well as from the Year II HAP goals. Even if these units are - improperly in our view - retained in goal and performance figures, there is no effect on aggregate unmet goal figures.)

ATTACHMENT B

This attachment is a project-by-project listing of units which have been counted as housing assistance provided and provide the basis for the figures in the columns headed "Housing Assistance Provided - Applicable to CD Year I" and "Housing Assistance Provided - Applicable to CD Year II". Unless otherwise noted, the list includes all units which had received firm financial commitments as of July 14, 1978.

Project	Elderly	Family	Large Family	CD Year in which Firm Financial Commitment Received
1. Rental				
<u>New Construction</u>				
<u>Section 8</u>				
Chinatown Elderly	138			I
Lehman Courts (now Clarendon Sunnyside)*	152			I
Paul Stewart III	190			I
Moody House	201			I
Westpoint 21	200			I
Elm Street Plaza	27	52		I
Lawndale Terrace*	120		30	II
Roosevelt/Halsted*	194			II
Thorndale Manor	71			II
7100 N. Sacramento*	100			II
Park Shore East*	206			II
Broadway Sheridan*	180			II
53rd & Cornell*	92			II
Pioneer Village*	150			II
Henroten/Morningside*	248			II
5500 N. Sheridan*		40	8	II
West Point Plaza II*		126	24	II
Paul Stewart IV*		159	28	II
	2269	377	90	
<u>Section 236</u>				
Division Wells		307		I
St. Stephens Terrace		195	66	I
	0	502	66	

* Projects which according to our information had not received firm mortgage financing commitments as of July 14, 1978.

Project	Elderly	Family	Large Family	CD Year in which Firm Financial Commitment Received
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Section 202

Japanese American*	201			II
St. Paul House*	149			II
Progressive Baptist*	108			III
	<u>458</u>			

Rehabilitation

Section 8

Voice of the People		6	3	I
New Vistas II	6	136	12	I
Near West Side		16	6	I
Logan Square (Palmer Square)*		163	10	I
Rogers Park Rehab*		74	6	I
Lakeshore West*		40		I
1919 West Oakdale			1	I
5330 South Harper	73			I
7000 South Shore	36			I
Elaine Place*		75		I
Northside Rehab*		180	20	II
Commonwealth Apts.	145			II
Shoreham Apts.	108			II
Crandon Apts.	151			II
2218-24 W. Washington	11			II
Webster Apts.	36	28	8	II
	<u>566</u>	<u>718</u>	<u>66</u>	

Section 236

65th Development Corp.	<u>47</u>	<u>16</u>	II
	47	16	

Project	Elderly	Family	Large Family	CD Year in which Firm Financial Commitment Received
<u>Other**</u>				
<u>Year I GPR</u>				
Section 312		145	10	
<u>Year II GPR</u>				
Section 312		64	11	
CDBG		68	29	
<u>Year III GPR</u>				
Section 312	3	10	10	
CDBG	<u>112</u>	<u>127</u>	<u>43</u>	
	115	414	103	
<u>Existing</u>				
E002-001	228	253	90	I
E002-003		647	228	II
E002-004 (Gautreaux Demonstration)			40	II
55124 (Loan Management)		<u>86</u>	<u>46</u>	II
	228	986	404	

** These figures include all units reported by the City in its three Grantee Performance Reports and reflect firm financial commitments received as of April 1, 1978. First, they assume that all households benefited by the programs listed in this category are low- or moderate-income households. The City, however, has made no showing to this effect. See text and footnote at page 6, supra.

In addition, the figures appear to include all units approved for assistance under the programs listed regardless of whether the units have actually been completed. For example, the figures reported in the CDBG Program include approximately 181 units approved for assistance under the Demonstration Program for the Rehabilitation of Multi-Family Properties as of April 1, 1978. However, at the meeting of the Finance Committee of the Chicago City Council on July 5, 1978, Commissioner Hill reported that no units have been completed under this program. (We have sought additional information from the City respecting the status of approved applications under this program, including the number of approved units under construction, but there has been no response to our inquiries.)

Project	Elderly	Family	Large Family	CD Year in which Firm Financial Commitment Received
II. Homeownership*				
<u>Rehabilitation</u>				
<u>Year I GPR</u>				
CDBG		40	46	
Section 312		36	18	
NHS		69		
<u>Year II GPR</u>				
CDBG		80	73	
Section 312		16	6	
NHS		56		
<u>Year III GPR</u>				
CDBG	49	116	53	
Homestead		67	40	
Section 312	3	20	9	
NHS		93	97	
	52	593	342	
<u>New</u>				
Section 235	0	1	0	

* These figures include all figures reported by the City in its three Grantee Performance Reports and reflect firm financial commitments received as of April 1, 1978. They overstate the City's performance because they assume that all households benefited by the programs listed in this category are low- or moderate-income households. The City, however, has made no showing to this effect. See the text and footnote at p. 6, supra. In fact, information provided by the City respecting the Neighborhood Housing Services Program (NHS) suggests that units are being reported which do not benefit lower income households. For example, of 190 NHS units reported in the Year III GPR, 115 represent units financed with conventional loans. (Letter from Lewis Hill to Alexander Polikoff dated July 18, 1978.) It is likely that households benefiting from these conventional loans have incomes above the moderate-income level.

ATTACHMENT C

This attachment identifies four projects which are not included in Attachment B but which have been included by either HUD (on the list of projects attached to HUD's table of January 17, 1978) or the City (in its submissions pursuant to Elmer Binford's letter to Mayor Bilandic of September 28, 1977, or in the list of "Goals Accomplished 10-1-76 to 4-1-78," transmitted by Lewis Hill's letter to Alexander Polikoff on June 8, 1978), and explains why we have not included them in Attachment B.

1. Senior Citizens Housing Development (Project No. 1086-201). Although Section 8 funds had been reserved for this 240-unit elderly project, the City disapproved the necessary zoning change. As a result, this project has been abandoned and should not be counted as an accomplishment of HAP goals.

2. City-State Rehabilitation Project (Project No. IL 06-0036-001). Under this project, the expenditure of Section 8 substantial rehabilitation funds to rehabilitate certain CHA existing projects was authorized by a court order in the Gautreaux case, entered on September 27, 1976, at the joint request of the plaintiffs and CHA. Rehabilitating these already subsidized public housing units does not add to the supply of assisted housing units or increase the number of families re-

ceiving rental assistance. Therefore, the 1384 units (91 elderly, 1112 family, and 181 large family) attributable to this project should not be counted as an accomplishment of HAP goals. (As noted in Attachment A, these units have been excluded from HAP goals as well as from housing assistance provided figures.)

3. Section 23 Conversions (Project No. E002-002).

This project represents Section 23 leased public housing units which are simply being converted from one assistance program, Section 23, to another, Section 8. These public housing units were already assisted, and their conversion does not add to the supply of assisted housing units or increase the number of families receiving rental assistance. The 3,388 units (2,398 elderly, 615 family, and 375 large family) applicable to these conversions should therefore not be counted as an accomplishment of HAP goals.

4. CDA Conversion (Project No. E002-005). This project represents units which were assisted under the Model Cities Program and are simply being converted from one assistance program, Model Cities, to another, Section 8. The use of Section 8 existing housing funds for this project was authorized by a court order in the Gautreaux litigation, entered on September 27, 1977, at the request of plaintiffs and CHA. As in the case of the Section 23 conversions, these CDA conversions do not add to the supply of assisted

housing units or increase the number of families receiving rental assistance. The 389 units (225 family and 164 large family) attributable to this project should therefore not be counted as an accomplishment of HAP goals.

E X H I B I T II

EVALUATION OF HOUSING ASSISTANCE
PROVIDED FOR CONFORMANCE WITH APPROVED
HAP

1. Type of Housing To Be Assisted

Type of Housing	CD Year II HAP Goal		Housing Assistance Provided- Applicable to CD Year II	
	Number of Units	%	Number of Units	%
<u>Rental</u>				
New	1885	33%	991	48%
Rehab	1585	27%	180	8%
Existing	2345	40%	910	44%
	<u>5815</u>	<u>100%</u>	<u>2081</u>	<u>100%</u>
<u>Homeownership</u>				
Rehab	1481	88%	0	0%
New	200	12%	1	100%
	<u>1681</u>	<u>100%</u>	<u>1</u>	<u>100%</u>

2. Households To Be Assisted

Household Type	CD Year II HAP Goal		Housing Assistance Provided- Applicable to CD Year II	
	Number of Units	%	Number of Units	%
Elderly	2094	28%	991	48%
Family	3488	46%	607	29%
Large Family	1914	26%	484	23%
	<u>7496</u>	<u>100%</u>	<u>2082</u>	<u>100%</u>

3. General Locations

See attached chart.

COMPARISON OF LOCATIONS FOR SECTION 8 NEW AND REHABILITATED HOUSING
UNITS SET FORTH IN YEAR I AND YEAR II HAPs WITH LOCATIONS OF SUCH
SECTION 8 HOUSING UNITS WHICH HAVE RECEIVED FIRM FINANCIAL
COMMITMENTS*

<u>New Construction</u>				<u>Rehabilitation</u>		
	Year I Geographic Allocation	Year II Geographic Allocation	Units with Firm Financial Commitments	Year I Geographic Allocation	Year II Geographic Allocation	Units with Firm Financial Commitments
<u>Non-elderly Units</u>						
Area I } General	350	243	48	350	153	578
Area II } Housing	150	104	0	150	66	0
Area III } Areas	77	53	0	77	33	0
Limited Housing Area IV	385	265	419	384	169	206
<u>Elderly Units</u>						
Area I } General	125	159	704	125	53	253
Area II } Housing	75	96	0	75	32	0
Area III } Areas	43	55	0	42	19	0
Limited Housing Area IV	243	310	2023	242	104	313

* List of Section 8 new and rehabilitated project for which firm financial commitments have been received by geographic area is attached.

SECTION 8 NEW CONSTRUCTION AND
REHABILITATION PROJECTS WHICH
HAVE RECEIVED FIRM FINANCIAL
COMMITMENTS

GENERAL HOUSING AREAS

Number of Units

Area I

New Construction

	<u>Elderly</u>	<u>Non-Elderly</u>
Lehman Court (now Clarendon Sunnyside)	152	
Thorndale Manor	71	
7100 N. Sacramento	100	
Broadway/Sheridan	180	
Japanese American (Sec. 202)	201	
5500 N. Sheridan		48
	<u>704</u>	<u>48</u>

Rehabilitation

Voice of People		9
Logan Square (Palmer Square)		173
Rogers Park Rehab		80
Lakeshore West		40
1919 West Oakdale		1
Elaine Place		75
Northside Rehab		200
Commonwealth Apartments	145	
Shoreham Apartments	<u>108</u>	
	<u>253</u>	<u>578</u>

Area II

New Construction

None None

Rehabilitation

None None

Area III

New Construction

None None

Rehabilitation

None None

Number of Units

Elderly

Non-elderly

Limited Housing Area IV

New Construction

Chinatown Elderly	138	
Paul Stewart III	190	
Moody House	201	
Westpoint 21	200	
Elm Street Plaza	27	52
Lawndale Terrace	120	30
Roosevelt/Halsted	194	
Park Shore East	206	
53rd & Cornell	92	
Pioneer Village	150	
Henroten/Morningside	248	
St. Paul House (Sec. 202)	149	
Progressive Baptist (Sec. 202)	108	
West Point Plaza II		150
Paul Stewart IV		<u>187</u>
	<u>2023</u>	<u>419</u>

Rehabilitation

New Vistas II	6	148
Near West Side		22
5330 South Harper	73	
7000 South Shore	36	
Crandon Apartments	151	
2218-24 West Washington	11	
Webster Apartments	<u>36</u>	<u>36</u>
	<u>313</u>	<u>206</u>



DEPARTMENT OF DEVELOPMENT AND PLANNING

EXHIBIT "I"

December 27, 1977

LEWIS W. HILL
Commissioner

CHARLES P. LIVERMORE
Deputy Commissioner

DAVID N. LARSON
Deputy Commissioner

MARTIN R. MURPHY
Deputy Commissioner

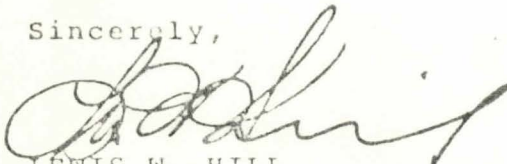
Mr. Elmer C. Binford
Director
Chicago Area Office
Department of Housing & Urban Development
One North Dearborn Street
Chicago, Illinois 60602

Dear Mr. Binford:

Re: Community Development Program
B-77-MC-17-0006

As requested in your letter of September 28, 1977, approving the city's CDBG application, transmitted herewith is a proposed program to stimulate the development of Section 8 housing. Together with our previous letters of November 14 and December 13, this completes our response.

Sincerely,


LEWIS W. HILL
Commissioner

Enclosure

SECTION 8 HOUSING DEVELOPMENT PROGRAM

Housing Assistance Plan Activities

I. It will continue to be the policy of the City of Chicago* to approve, as part of the Section 213 review process, major variations to the annual goals when appropriate as long as the proposed development does not conflict with approved plans. During CD Year II, thirteen major variations were recommended in responding to HUD requests for 213 reviews.

II. The City will give consideration to requiring developers to reserve a portion of their proposed units for Section 8 eligible families when applying for a planned development approval. This proposal has been referred to the Department of Law to obtain a legal opinion as to the ability of the City to make such a requirement. Where appropriate, developers will be encouraged to utilize the Section 8 program as part of their housing proposals.

III. In order to assist the City in identifying suitable sites for acquisition with CDBG funds and resale to interested developers for construction of Section 8 housing, a program will be implemented by the City of Chicago which will include:

A. An advertisement will be placed in all major real estate trade publications soliciting proposals for sites in the general housing area which are eligible for acquisition under the Urban Renewal Consolidation Act of 1961;

*In this document, whenever reference is made to the City, or the City of Chicago, the action proposed will be implemented by the appropriate City Department which in most cases will be the Department of Planning, City and Community Development.

B. In addition to discussion with individual developers by City representatives, a special mailing to solicit proposals will be made to developers registered with the Department's Land Disposition office.

C. The City will convene a conference of developers, mortgage bankers, and neighborhood development organizations to identify any impediments which may exist to the development of proposals for Section 8 housing in the city. HUD and IHDA will be asked to provide resource people along with City staff to describe the mechanisms available to private developers and will be available to learn how the Private Sector people view available government housing programs. Records will be made of the conference sessions and will be available to the appropriate governmental agencies and for review by all interested groups and individuals.

D. City staff will continue to provide technical assistance to conference and meetings sponsored by developers, community organizations or other parties interested in promoting the construction or rehabilitation of housing in the city.

IV. The City will assist developers to obtain an exception to the Gautreaux provisions to allow construction of family Section 8 housing in Woodlawn, Lawndale, and Englewood on sites acquired and being acquired by the City in urban renewal areas.

V. Where urban renewal sites are selected for Section 8 development, the City will request pre-approval of these sites as to the HUD Site and Neighborhood standards.

VI. The City will continue to work with CHA staff to identify sites for family public housing construction in the general housing areas. In addition, the City will explore the possibility of utilizing CDBG funds to acquire sites which could be transferred to CHA for its ongoing scattered site family housing program in order to overcome the impediments of the HUD prototype cost limitations for that program.

VII. Upon completion of the comprehensive review of the Chicago Zoning Ordinance, the City will rezone areas which are no longer viable for commercial or industrial development to residential use where appropriate. A special analysis of vacant commercial and industrial land will be completed by the end of December, 1977. An interim report on that study has been submitted to the Magistrate of the Court in the Gautreaux litigation.

VIII. The City requests that HUD provide Section 8 assistance to multifamily developments subsidized under Sections 221(d)(3) and Section 236, which are now in default or foreclosure, through the special set-aside for Loan Management and Property Disposition.

IX. During the current CD program year, it is expected that the City's CD Advisory Committee will give considerable time to the consideration of housing problems and to proposals advanced by public interest groups and community organizations and individuals for possible inclusion in the CD Year IV Housing Assistance Plan. If some proposals are found to be particularly beneficial toward achieving HAP goals, they will be initiated this year utilizing local option funds or through a program amendment.

12-27-77

Schedule of Activities for Priority Sites in General Public Housing Areas--
Section 8 Family Housing Development

HASKINS - HERMITAGE

A. Status as of December 15, 1977:

The Haskins-Hermitage Redevelopment Project was designated by the City Council on October 13, 1976. The project area contains 5.71 acres of which 1.86 are in streets and alleys. A draft redevelopment plan has been developed and is under consideration. The proposed redevelopment plan provides for the area to be redeveloped for medium density residential use (80 du's/acre) or approximately 200 units in the project. Of 11 parcels currently scheduled for acquisition, 1 parcel has been acquired, 7 suits have been filed and appraisals are being obtained on the remaining 3 parcels.

B. Schedule of Activities to be Accomplished:

First Quarter 1978--Redevelopment Plan will be recommended for approval by
Department of Urban Renewal Board.

--Plan approval consideration by Chicago City Council.

--City will request pre-approval of site for Section 8 housing
development from the Department of Housing and Urban Development.

Second Quarter 1978--City will initiate land marketing procedures for disposition
of site to private developer for Family Section 8 housing.

Third Quarter 1978--Acquisition of site by the City will be substantially completed.

--Selection of Section 8 housing developer and conveyance of
land for construction.

UPTOWN

A. Status as of December 15, 1977:

The Board of the Department of Urban Renewal designated the area bounded by Argyle, Marine Drive, Montrose, and Clark Street as the Uptown Conservation Area on October 13, 1966. The Conservation Plan for the entire Conservation Area and the Plan for Uptown Project I were approved by the Chicago City Council on October 9, 1968. The Plan was revised to allow for acquisition of sites throughout the Conservation Area in 1970 and the revised Conservation Plan was adopted by the City Council on September 16, 1970. In addition to acquisition and redevelopment, the Plan provides for the conservation of the community through rehabilitation of existing structures.

The Department of Urban Renewal has recently completed a study of all vacant sites and abandoned buildings in the Uptown Conservation Area. After careful analysis as to suitability for residential development, site(s) will be recommended to be acquired for Section 8 family housing development. In addition, grants to owners for multi-unit residential properties are available through the CDBG-funded special demonstration programs. The city requires applicants to set-aside up to 20% of the units for Section 8 Certificate holders.

B. Schedule of Activities to be Accomplished:

First Quarter 1978--Site(s) for Section 8 family housing development will be selected for acquisition by the City.

--Applicants will be approved for participation in the CDBG funded Demonstration Program for Rehabilitation of Multi-unit Residential Properties.

--City will request pre-approval of site(s) for Section 8 housing development from the HUD Area Office.

Second Quarter 1978--Acquisition activities will be initiated.

--Rehabilitation of multi-unit structures will commence.

Third Quarter 1978--Land marketing procedures will be initiated to identify
Section 8 housing developer.

Fourth Quarter 1978--Acquisition of site(s) will be substantially completed.

--Land will be conveyed to private developer for construction
of family Section 8 housing.

ARMITAGE-KEDZIE

A. Status as of December 15, 1977:

The Armitage-Kedzie area has been proposed as a Section 8 Family Substantial Rehabilitation program financed through I.H.D.A. and the City of Chicago's CDBG-funded Demonstration Program for Rehabilitation of Multi-Unit Properties. The sponsors of the rehabilitation proposal, the Hispanic Housing Development Corporation and RESCORP, have applied for a Section 8 Substantial Rehab Commitment from IHDA for 100% of the units in the development. The proposal calls for the rehabilitation of 162 units located in 4 buildings. The Corporation has also applied to the City for a rehabilitation grant in an amount sufficient to assure the economic feasibility of the project. Detailed plans for the Rehab grant will be submitted by the developer to the City in the next two to three weeks. The Developer has options on all properties expected to be rehabilitated, therefore, acquisition assistance from the City will not be necessary to carry out this program.

B. Schedule of Activities to be Accomplished:

First Quarter 1978--Submission of detailed plans by developer for multi-family
demonstration rehab grant from City.

Second Quarter 1978--Approval of Agreement for Rehab assistance.

--Section 8 Commitment approval from IHDA.

Third Quarter 1978--Construction starts.

Existing Housing Program

The HUD letter of September 28, 1977 states that sufficient ACCs have been executed between HUD and CHA to meet the one year goals of the two HAPs for Year I and Year II and alleges that "occupancy of units is significantly lagging".

The letter calls for:

1. full occupancy of 100% of the first year goal in the FY 1975 Housing Assistance Plan for all existing units by April 1, 1978.
2. full occupancy of 100% of the first year goal in FY 1976 Housing Assistance Plan for all existing units by September 30, 1978.

The one year goal for Section 8 Existing Housing in the FY 1975 HAP totaled 1,450 units. The records of the Chicago Housing Authority indicate that HUD executed two Annual Contributions Contracts with CHA in the first year which ended September 15, 1976. The two ACC's were for 571 units (11-19-75) and 3388 units (6-9-76).

As of December 1, 1977, all of the 571 units had been initially leased and an additional 1,947 units of the 3,388 had leases executed. This total of 2,518 units leased exceeds the City of Chicago goal for the First Year HAP for existing housing.

The one year goal for Existing Section 8 in the FY 1976 HAP totaled 2,345 units. CHA records indicate that HUD entered into Annual Contributions Contracts for 875 units (9-29-76), 40 units (3-10-77), and 389 units (9-29-77). These three ACC's total 1,304 units approximately 1,040 units less than the 1976 goal.

It must be assumed, therefore, that in order to meet the HUD stipulation that 100% of the one year goal for the FY 1976 HAP achieve full occupancy by September 30, 1978, it is necessary to carry over authorized units which were part of the ACC for 3,388 units executed in the First CD Year. Otherwise, there would not exist sufficient ACC authority to meet the requirement for fulfilling the one year goal of the second year HAP.

- a. With this understanding concerning the meaning of HUD requirements for initial full occupancy of units of Existing Section 8, the City will provide assistance to the Chicago Housing Authority in implementing a program to identify additional interested landlords, to provide referral and counseling services, and to achieve full initial occupancy of units under the Existing Section 8 Housing Program. As a means toward that end, Relocation Division staff will assist CHA in locating interested landlords and to counsel and refer Existing Section 8 certificate holders.
 1. Full initial occupancy of the one year goal in the FY 1975 HAP for existing units has been achieved.
 2. Full initial occupancy of the one year goal for the FY 1976 HAP for existing units will be achieved by September 30, 1978.
- b. With regard to the requirement that the City of Chicago report progress to HUD in achieving occupancy of existing units on a quarterly basis, it should be noted that the Chicago Housing Authority already reports such data on a monthly basis to HUD. The City will report progress in achieving occupancy of existing units as requested in the HUD letter of September 28, 1977.

12-27-77

Excerpt from City of Chicago Year III HAP, July 1977:

The City of Chicago, through the Department of Urban Renewal, will assist in the development of Section 8 housing by making land available in several areas of the city... Emphasis will be placed upon the identification of sites which are located in the General Public Housing Area as defined by the Gautreaux litigation.

(p. 28.)

Excerpt from City of Chicago Year IV HAP, May 1978:

NARRATIVE OF ACTIONS TO BE TAKEN TO IMPLEMENT TRANSITION YEAR HAP

On December 27, 1977, a program to stimulate the development of Section 8 housing for families in Chicago was submitted to the HUD Area Office. On January 17, 1978 and April 14, 1978, progress reports were submitted to HUD indicating what had been accomplished toward achieving the elements of the proposed program. The actions now proposed to be taken to implement the Transition Year Housing Assistance Plan are based upon the program submitted in December, 1977. The following is a summary of the activities now proposed:

1. Whenever appropriate, housing developers will be encouraged by the City to utilize the Section 8 Program as part of their housing development plans for both new construction and rehabilitation.
2. A special mailing to developers on the mailing list of the DPCCD Land Disposition Section will be undertaken to publicize the availability of Section 8 funding whenever that occurs. During the last several months, such a mailing was undertaken to notify developers of the IHDA and HUD NOFA's in March and recently a mailing was completed to non-profit organizations interested in the Section 202 program when the NOFA for that program appeared from the HUD office.
3. As a follow up to the Section 8 Housing Conference sponsored by the Department on March 10, 1978 at the Chicago Public Library Cultural Center, additional seminars and discussion sessions will be held to improve communications between the public agencies and the private sector, hopefully, leading to increased production

of Section 8 family housing in the city.

4. The Department of Planning, City and Community Development will assist in the development of Section 8 housing by providing assistance in land acquisition and by making land available in several areas of the city. Priority sites for housing development are located in the following urban renewal areas:

- Haskins-Hermitage
- Uptown
- Evergreen-Sedgwick
- Mohawk-North
- Chicago-Orleans
- Lake-Kedzie
- Central West
- 37th-Wentworth
- 36th-Michigan
- 43rd-Vincennes
- East Central Englewood
- Central Englewood
- 63rd-Stony Island
- Hyde Park-Kenwood
- Lawndale-Roosevelt-Kedzie
- North Lawndale NSA
- 49th-Michigan
- South Shore-Parkside NSA
- 87th-Mackinaw

If necessary, the City of Chicago will request an exemption to the provisions of the Gautreaux court orders from the Federal District Court for the construction of family Section 8 units.

5. When urban renewal sites are selected for Section 8 development the City will request pre-approval of these sites in relation to the HUD Site and Neighborhood standards. In this way, developers will not be required to wait for a Notice of Fund Availability to be published by either HUD or IHDA to submit proposals for Section 8 funding.

6. The Department will continue to implement its CDBG funded Demonstration Multi-Family Rehabilitation Grant program with the

requirement that property owners set aside up to 40% of the units for Section 8 eligible families.

7. DPCCD has filed eight applications for Urban Development Action Grants, two of which include proposals for Section 8 family housing. The Antioch Missionary Baptist Church proposes to construct approximately 200 units of family housing in the Englewood Conservation area. The site is presently being acquired with CDBG funds. The other UDAG project would provide for the recycling and rehabilitation of large unused industrial structures in the Pullman Historic Landmark District to provide 400 units of family housing. Section 8 rent assistance would be utilized to achieve an economic mix of families within the Historic District.

8. Applications have been submitted for HUD approval of two areas for the new Section 8 Substantial Rehabilitation Procedures in Neighborhood Strategy Areas. The areas proposed are Parkside in the South Shore Community and a portion of North Lawndale in the Lawndale community. The City hopes to get HUD approval for 400 Section 8 units for Parkside and 500 units for Lawndale.

(pp.8-10.)

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

DOROTHY GAUTREAUX, et al.,	)	
	)	
Plaintiffs,	)	
	)	
-vs-	)	NO. 66 C 1459
	)	66 C 1460
PATRICIA R. HARRIS, Secretary	)	(Consolidated)
of the U.S. Department of	)	
Housing and Urban Development)	)	
and CHICAGO HOUSING AUTHORITY)	)	
et al.,	)	
Defendants.)	)	

SUPPLEMENTAL EXHIBIT TO
PLAINTIFFS' MOTION FOR FURTHER RELIEF AGAINST
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Attached is what plaintiffs believe to be a true
and accurate copy of HUD's letter dated September 27,
1978, approving the City of Chicago's Fourth Year Com-
munity Development Block Grant Application.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

AREA OFFICE

1 NORTH DEARBORN STREET

CHICAGO, ILLINOIS 60602

SEP 27 1978

IN REPLY REFER TO:

5-10

Honorable Michael A. Bilandic
Mayor of the City of Chicago
Attention: Commissioners Lewis W. Hill and Cecil A. Partee
City Hall, Room 501
121 North LaSalle Street
Chicago, Illinois 60602

Dear Mayor Bilandic:

Subject: Community Development Block Grant Program
Application B-78-MC-17-0006
Fourth Program Year Approval

We are pleased to inform you that your application for Community Development Block Grant Funds has been approved in the amount of \$117,803,631.93. This funding approval is effective for the Fourth Program Year beginning October 1, 1978. The approved grant amount includes your formula entitlement grant of \$114,279,000; \$955,361.93 of surplus urban renewal grant funds; and \$2,596,270 of reprogrammed CDBG Funds from prior years.

Enclosed are three copies of HUD Form 7082, Funding Approval Under Title I of the Housing and Community Development Act of 1974, with attached standard provisions including the Grant Agreements for your execution. The original and one copy of the form are to be manually signed and returned to this office, and the third copy of the form is to be retained for your files.

Your attention is directed to Block 17(a) of the above form wherein it is noted that funds are not to be used for the activities listed until receipt of a certification that the environmental process is completed.

Upon receipt of the executed Grant Agreement, we will take immediate steps to amend your letter of credit to include your current years entitlement and the surplus urban renewal grant funds. You will be advised of the effective date when drawdowns may commence under the amended letter of credit.

2.

We would like to take this opportunity to remind you of the auditing requirements applicable to the Community Development Block Grant Program. In accordance with the provisions of Section 570.509(b), an audit of your program is to be conducted with reasonable frequency, usually annually, but not less frequently than once every two years. As you may be aware, HUD is currently conducting an audit of your CDBG Program pursuant to Section 570.509(c). The conduct of an audit by HUD does not relieve the City from responsibility for carrying out requirements of Section 570.509(t) in a timely and responsive manner.

In our letter of September 28, 1977, notifying you of the approval of your Fiscal Year 1977 CDBG Program, we indicated that while your accomplishments in achieving your housing goals had been below expectation, we were able to make a finding of continuing capacity by the City to carry out its program and were, therefore, able to approve your application. Our approval action included proposed additional recommendations upon which this Department expected performance by the City during the Fiscal Year 1977 CDBG Program Year. The Fiscal Year 1977 approval action included a requirement for regular reporting to HUD on the City's program to implement the recommendations of HUD and on progress achieved in carrying forward those recommendations. The response of the City to HUD's previous recommendations has been acceptable and we have been able to make a finding that you have a continuing capacity to carry out your program and we are, therefore, able to approve your Fiscal Year 1978 CDBG application.

While we have determined your response to these recommendations to be acceptable and that progress has been made toward achieving your Housing Assistance Plan Goals, we continue to firmly believe that there are additional actions the City can and should take to assure continued acceptable performance.

We, therefore, find that while progress has been made toward meeting Housing Assistance Plan Goals, the continuing need for housing assistance for families and large families of low income requires action by the City of Chicago as provided for in Section 570.910 of the Regulations for the Community Development Block Grant Program. Actions begun by the City in response to the conditions and recommendations of HUD included as part of the approval of the Fiscal Year 1977 CDBG Program shall be continued during the Fiscal Year 1978 Program Year. The City shall report to HUD on its progress in carrying out recommendations on January 15, 1979 and on June 30, 1979.

Notwithstanding any other provisions of the Grant Agreement, the City must take the following actions during the Fiscal Year 1978 Program Year:

The City shall take all necessary actions within its control, and in a timely manner, to bring about the actual construction of new Section 8 family and large family units with resources to be allocated to the City of Chicago during the Federal Fiscal Year 1979. The City shall use CDBG Funds as necessary to facilitate such construction. Moreover, the City must make substantially improved progress in meeting the goals for large family new construction and substantial rehabilitation of rental units identified in its Housing Assistance Plan.

Failure to accomplish these actions may constitute cause for the Secretary of Housing and Urban Development to reduce the Community Development Block Grant of the City of Chicago for Fiscal Year 1979 as provided in Section 570.911 of the CDBG Regulations.

With respect to Housing Assistance to be provided as part of your Housing Assistance Plan from resources other than the Section 8 Program we note and recognize that Chicago has experienced difficulties similar to those of other cities in providing Non-Section 8 Assistance to needy families. In recognition of this problem, HUD is providing this Fiscal Year a higher level of resources in the Section 312 Rehabilitation Program... In addition, we have proposed an important change in the CDBG Regulations regarding lump-sum drawdowns for rehabilitation purposes designed to provide cities with a greater range of program options in the area of neighborhood revitalization. You will be contacted by this office soon regarding these matters.

With regard to the several rehabilitation financing activities, including: financial assistance to property owners and special assistance to the elderly, rehabilitation of HUD-owned properties, rehabilitation of multi-unit residential properties; home purchase and rehabilitation program, home improvement loan program, rehabilitation employment training, and any other activity involving financing the rehabilitation of privately-owned property under Section 570.202(c)(2) of the Program Regulations, you are reminded that said Section 570.202(c)(2) requires that such financing is permissible only for properties either within areas where activities included in the Community Development Program are being carried out, or on a spot basis throughout the jurisdiction of the applicant for low- and moderate-income persons, as defined in

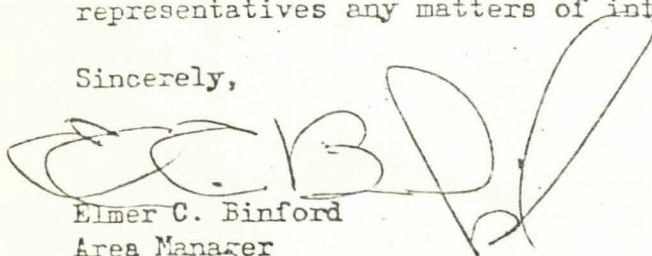
4.
Sections 570.3(p) and (o) of the Program Regulations. Furthermore, the work to be performed in each instance in which CDBG Funds are used for such financing must be limited to rehabilitation work and other costs, as described in Sections 570.202(c)(2)(i) through (v) and 570.202(o)(3) of the Program Regulations, which, for example, would preclude repair and maintenance work which is not either repair directed toward cure of an accumulation of items of deferred maintenance or replacement of principal fixtures and components.

Our review of the public service activities and interim neighborhood strategy areas included as part of your application found the information submitted unresponsive to the requirements of Sections 570.200(h)(2), 570.201(e) and CPD Notice 78-9. Therefore, the Grant Agreement includes Modification II, which provides an opportunity for you to provide additional information or reprogram funds to other eligible activities.

Attached to this letter you will find HUD Form 7015.5 (Community Development Budget) which reflects your approved Program.

The resources of this office are available to you, as in the past, to assist the City in every appropriate way to comply with HUD's requirements and assist in the conduct of a successful CDBG Program. We are particularly interested in cooperating as last year in participating with you in conferences and other activities designed to elicit responses from the private sector to the availability of Section 8 Funds for Housing Development. We are prepared to discuss with you and/or your representatives any matters of interest at your convenience.

Sincerely,



Elmer C. Binford
Area Manager

Attachments

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT FUND

☒ ORIGINAL

☐ AMENDED

APPLICATION NO.

1-77-NO-17-0006

NAME OF APPLICANT

City of Chicago

PROGRAM YEAR

FROM 10/1/78

TO: 9/30/78

E. PROGRAM ACTIVITY	AMOUNT	FOR HUD USE ONLY
ACQUISITION OF REAL PROPERTY	15,909,000	15,909,000.00
PUBLIC WORKS, FACILITIES, SITE IMPROVEMENTS	38,802,000	38,802,000.00
CODE ENFORCEMENT	1,100,000	1,100,000.00
CLEARANCE, DEMOLITION, REHABILITATION	10,750,000	10,750,000.00
REHABILITATION LOANS AND GRANTS	9,910,000	9,910,000.00
SPECIAL PROJECTS FOR ELDERLY AND HANDICAPPED	800,000	800,000.00
PAYMENTS FOR LOSS OF RENTAL INCOME	-0-	0
DISPOSITION OF REAL PROPERTY	800,000	800,000.00
PROVISION OF PUBLIC SERVICES	20,359,000	20,359,000.00
PAYMENT OF NON-FEDERAL SHARES	4,700,000	4,700,000.00
COMPLETION OF URBAN RENEWAL/NDP PROJECTS	-0-	0
RELOCATION PAYMENTS AND ASSISTANCE	3,450,000	3,450,000.00
PLANNING AND MANAGEMENT DEVELOPMENT	3,015,000	3,015,000.00
ADMINISTRATION	6,299,000	6,299,000.00
CONTINUATION OF MODEL CITIES ACTIVITIES	-0-	0
SUBTOTAL (Sum of Lines 1 thru 15)	115,894,000	115,894,000.00
CONTINGENCIES AND/OR UNSPECIFIED LOCAL OPTION ACTIVITIES (Not to exceed 10% of line 16)	1,910,000	1,909,631.91
TOTAL PROGRAM ACTIVITY COSTS (Sum of Lines 16 and 17)	117,804,000	117,803,631.91
F. RESOURCES FOR PROGRAM ACTIVITY COSTS		
ENTITLEMENT OR DISCRETIONARY AMOUNT	114,279	
LESS DEDUCTIONS		
ENTITLEMENT/DISCRETIONARY AMOUNT FOR PROGRAM ACTIVITIES (Line 1 minus 2)	114,279,000	114,279,000.00
PROGRAM INCOME		
SURPLUS FROM URBAN RENEWAL/NDP SETTLEMENT	955,730	955,361.91
LOAN PROCEEDS		
REPROGRAMMED UNOBLIGATED FUNDS FROM PRIOR PROGRAM YEAR	2,569,270	2,569,270.00
TOTAL RESOURCES FOR PROGRAM ACTIVITY COSTS (Sum of Lines 3-7)	117,804,000	117,803,631.91

Check box if costs include indirect costs which require approval of a cost allocation plan as required by Federal Management Circular 74-4.

OF 10-74 IS OBSOLETE

HUD-7015.5 (11-75)

2

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

DOROTHY GAUTREAUX, et al.,)
)
Plaintiffs,)
)
-v-)
)
PATRICIA R. HARRIS, Secretary of)
the U.S. Department of Housing and)
Urban Development and CHICAGO)
HOUSING AUTHORITY, et al.,)
)
Defendants.)

RECEIVED

NO. 66 C 1459

66 C 1460

(Consolidated)

SEP 22 1978

John Powers Crowley, Judge
United States District Court

NOTICE OF FILING

TO: Calvin H. Hall, Esq.
22 West Madison Street
Chicago, Illinois 60602

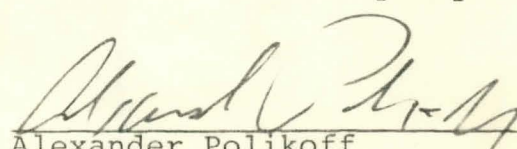
Thomas P. Sullivan, Esq.
United States Attorney
219 South Dearborn Street
Chicago, Illinois 60604

Richard Flando, Esq.
300 South Wacker Drive
Chicago, Illinois 60606

Patrick W. O'Brien, Esq.
231 South LaSalle Street
Chicago, Illinois 60604

Corporation Counsel
City of Chicago
511 City Hall
121 North LaSalle Street
Chicago, Illinois 60602

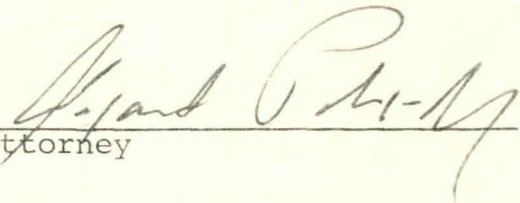
PLEASE TAKE NOTICE that on this 22nd day of September, 1978,
I have filed plaintiffs' Motion for Further Relief Against Depart-
ment of Housing and Urban Development with the clerk for the
Honorable Judge John Powers Crowley in the United States District
Court for the Northern District of Illinois, Eastern Division, a
copy of which is attached hereto and herewith served upon you.


Alexander Polikoff
109 North Dearborn Street
Chicago, Illinois 60602
(312) 641-5570

DATED: September 22, 1978

CERTIFICATE OF SERVICE

I certify that on this 22nd day of September, 1978, I served the foregoing Notice, and the Motion referred to therein, upon each of the attorneys to whom the Notice is addressed by causing it to be personally delivered to their offices.



Attorney