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May 23, 1997

759-7231

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219 S. Dearborn Street
Chicago, Illinois 60604

Donald Walker
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United States District Court
219 S. Dearborn Street
Chicago, Illinois 60604

Re: *Gautreaux v. CHA*, No. 66 C 1459, 66 C 1460
Henry Horner Mothers Guild v. CHA, No. 91 C 3316

Dear Ms. Lugo and Mr. Walker:

We are counsel for Daniel E. Levin and The Habitat Company, who have been appointed as the receiver in the Gautreaux litigation. Enclosed please find a copy of the *Receiver's Emergency Motion for Instructions*, which we have filed today in both cases.

As set forth in the Emergency Motion, the Receiver has been advised of matters that should be called to the attention of both Courts. In the unusual circumstances of this case, the Motion requests a joint conference before both Chief Judge Aspen and Judge Zagel to discuss the issues raised in the Emergency Motion with the parties. We believe such a conference would be most productive if conducted in chambers.

Because of the nature of our request, we have not noticed this motion for a hearing date. We would appreciate guidance from the Court as to the scheduling of this Motion for a hearing before the Judges. We believe a prompt hearing is important.

Thank you for your attention to this matter.

Sincerely,


Barry A. Miller

cc: Counsel of Record in Gautreaux
Counsel of Record in Horner
Daniel E. Levin

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

DOROTHY GAUTREAUX, <i>et al.</i>	)	
	)	
Plaintiffs,	)	
	)	
v.	)	66 C 1459
	)	66 C 1460
CHICAGO HOUSING AUTHORITY and	)	(Consolidated)
ANDREW CUOMO, Secretary of Urban	)	
Department of Housing and Urban	)	Hon. Marvin E. Aspen
Development,	)	
	)	
Defendants.	)	
	)	

HENRY HORNER MOTHERS GUILD,	)	
<u>et al.</u> ,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	No. 91 C 3316
	)	
THE CHICAGO HOUSING AUTHORITY	)	Hon. James B. Zagel
(CHA), an Illinois Municipal	)	
Corporation; <i>et al.</i> ,	)	
	)	
Defendants.	)	

RECEIVER'S EMERGENCY MOTION FOR INSTRUCTIONS

Daniel E. Levin and The Habitat Company, the Receiver in the Gautreaux action (collectively, "Receiver"), hereby respectfully moves the Courts in the Gautreaux action and the Horner action for instructions concerning issues that have arisen relating to the development of housing units for the Horner Revitalization Program and the Gautreaux scattered-site program.

The Receiver respectfully suggests a joint conference with the Courts and counsel for each case. While seeking joint action from both Courts is unusual, it is not unprecedented.^{1/}

In support of the Receiver's motion, the Receiver advises the Courts as follows:

SUMMARY OF MOTION.

1. The Receiver has been appointed by the Court in the Gautreaux action, inter alia, to develop scattered-site housing throughout the City of Chicago and replacement housing units in revitalizing communities as part of a program to achieve a mixed-income community of housing and to further implement the objectives of the Gautreaux case.

2. Within the Horner Revitalization Area, Gautreaux and other Federal funds for certain units have been provided pursuant to a Consent Decree in the Horner action. The Receiver is attempting to further the policies of the Horner consent decree.

^{1/} While it is somewhat unusual for two District Judges to hold a joint conference in a case, it is not unprecedented. Judges Robson and Will jointly administered cases during their tenure on this Court. See, e.g., In Re Folding Carton Antitrust Litig., 88 F.R.D. 211 (N.D. Ill. 1980); In Re Air Crash Disaster, 507 F. Supp. 21 (N.D. Ill. 1980). (A WESTLAW search identified 15 orders signed by both judges in those two cases.)

The statutes governing the District Courts do not require that a single Judge hear each matter; they expressly give the Chief Judge authority to order another procedure where appropriate. See 28 U.S.C. §§132, 137; United States v. Anaya, 509 F. Supp. 289, 293-94 (S.D. Fla. 1980)(District Court sat *en banc* to decide motions to dismiss 84 indictments)(discussing statutory authority and history of matters being decided by more than one District Judge, aff'd sub nom. United States v. Zayas-Morales, 685 F.2d 1272, 1275-76 (11th Cir. 1982)(praising District Court for innovative manner in which complicated matter was handled).

3. The Receiver has agreed to provide reports to the Court in both actions.^{2/}

4. This Motion is prompted by problems that have existed in the scattered-site and replacement housing program. As discussed below, units have been turned over to the CHA, but in many cases there have been delays in the occupancy of the units because tenants have not been identified, screened, and moved in. This has led to vandalism of empty units. In addition, tenants have not been adequately qualified and/or prepared to move in, leading to reports of problems such as unauthorized tenants and improper housekeeping practices that can endanger a building.

5. In recent months, the problems have become acute in connection with the Horner Revitalization Program. (A Report on the current status of the Horner program is attached as Exhibit A hereto.) These problems have ripened into an emergency with the continued inability of the CHA to provide qualified tenants for units under the Horner Revitalization Program as those units are completed. This situation will be exacerbated as an increasing number of units become available over the next few months.

6. Under both the Gautreaux and the Horner housing programs, the Receiver identifies and/or acquires the sites, enters into contracts with contractors to build the units, oversees construction, inspects the completed housing, accepts the units from the contractor, and then

^{2/} On December 20, 1996 the Court in the Horner action found that the Receiver had voluntarily submitted to the Horner Court's jurisdiction. The Receiver filed a Motion for Reconsideration on January 6. That motion has been entered and continued. By filing this Report and Motion, the Receiver does not intend to waive its position that it has not voluntarily submitted to the jurisdiction of the Horner Court. A ruling on the Motion for Reconsideration is not necessary for the resolution of this Emergency Motion.

transfers title to the CHA. The CHA identifies and screens prospective tenants, and leases units, with the participation of a private management firm. The CHA then contracts with a private management company for the day-to-day management of the units.

7. Near West Side Community Development Corporation ("Near West CDC"), a member of Near West Side Showcase Joint Venture, L.L.C. ("Near West Showcase"), the general contractor for the units in Program 2 at Horner, has sent the Receiver a letter dated May 21, 1997. (A copy of the letter is attached as Exhibit B hereto.) In the letter, Near West CDC indicates Near West Showcase will not turn over any additional units to the Receiver for transfer to the CHA because of the inability of the CHA to provide qualified tenants, and other serious issues raised by the letter.

8. This problem is ripe for intervention by and guidance from the Courts. Near West is, apart from its concerns stated in the letter, ready to turn over two units to the Receiver by today, Friday, May 23, but is now refusing to do so. These problems extend beyond the control of the Receiver, under its responsibilities to locate appropriate sites and to design and build housing.

9. The problems discussed herein have made it much more difficult for the Receiver to build housing in the portion of the Horner Revitalizing Area that is west of Western Avenue ("West of Western area"). As discussed more fully below, community leaders have opposed the Receiver's specific plans for West of Western housing. The opposition has been significantly exacerbated by the problems with the housing east of Western.

10. In addition, the Receiver is concerned that the problems in the Horner area will lead to additional problems in the implementation of the Gautreaux scattered-site and other replacement housing programs.

BACKGROUND AND RELIEF SOUGHT.

A. Delays in Acceptance and Occupation of Completed Units.

11. Attached as Exhibit A hereto is the Receiver's second report (the "Report") in connection with its responsibilities for ten of the Horner Revitalization programs (the "Programs").

12. The Report notes that twelve of the thirty units in Program 2 were completed and transferred to the CHA during April and May. Of those 12 units, to date only one has been occupied. The CHA has informed the Receiver that two additional units have been leased and may be occupied within one week. The remaining nine units are vacant and, to the Receiver's knowledge, have not been leased.

13. Similarly, the Report notes that, with regard to Program 3, nine units have been transferred to the CHA during the month of May, and four additional units are to be transferred prior to the end of May. To date, none of the nine transferred units has been occupied.

14. During the months of June and July, an additional sixty-six units are scheduled for the transfer to the CHA in the Horner program.

15. The problem of vacant units is not limited to the Horner Revitalization Program. From April 1996 to 1997, the Receiver turned over 402 scattered-site units to the CHA. Fifty-eight remain vacant. Nineteen are being held for Horner residents, six for the Logan Square home ownership program, and thirty-three are listed as general.

16. While it is not the responsibility of the Receiver, under either the Gautreaux decree or the Horner Revitalization Program, to select tenants for the housing, the Receiver is aware of significant problems that have existed with both the screening and selection of tenants for completed units. The failure to have qualified tenants available to move into these units as they are turned over to the CHA has substantially increased the risk of vandalism to these units.

17. In the Receiver's experience with the scattered site program, the optimal situation is for the Receiver to turn over units to the CHA, and for tenants to move in on the same day. If units are left vacant for any period, even for as short as over a weekend, there have been instances of vandalism, including vandalism so severe that the unit has become uninhabitable.

18. As discussed more fully in the Report, the apparent cause for the delay appears to be poor coordination between the Horner Residents Counsel ("HRC") and the CHA in identifying and screening tenants. At meetings attended by the Receiver, representatives of HRC and the CHA have disagreed as to who was ultimately responsible for the inability to provide qualified tenants who are ready to occupy the units immediately.^{3/}

^{3/} The Receiver has been told that some of the housing for larger families built as part of the Horner Relocation Program was filled with non-Horner residents as tenants. The Receiver was told that the problem either was caused by the failure of the private managers to be told that the housing was for Horner residents, or the absence of qualified Horner tenants.

19. We have received copies of correspondence between HRC and the CHA concerning some of these issues. Attached as Exhibit C is an April 15, 1997 letter from Joseph Shuldiner to William Wilen. The letter discusses, inter alia, the need for a strong orientation program for tenants.

20. Attached as Exhibit D is a letter dated April 28, 1997, from William Wilen and Mamie Bone to Joseph Shuldiner, discussing inter alia, screening and orientation for Horner residents, and the Horner plaintiffs' view of the requirements of the consent decree.

B. Problems with Occupied Units.

21. The Receiver is also concerned about the qualification and preparation of certain tenants who have moved into completed units. For example, the Report notes that one of the twenty units delivered to the CHA pursuant to Program 1 has been vacated as a result of vandalism. This unit was heavily damaged by vandalism within two weeks of its occupancy.

22. In addition, Jeffrey Lange, the Receiver's Project Manager, observed a serious housekeeping problem with a tenant in a newly-occupied unit that threatened danger to the unit and its occupants.

23. Additional problems with tenants, such as illegal occupation of units by non-tenants and tenants' lack of knowledge or equipment required to maintain units, are discussed in the Near West CDC letter.

24. These problems apparently have arisen because of inadequate screening of the tenants and because of the failure to properly prepare tenants for living in, and properly caring for, the new, low-rise housing.

C. The Problem of Turning Over Units.

25. The Receiver has received a letter from Earnest Gates, the Chairman of Near West CDC, a partner of Near West Showcase, which is the contractor for the thirty Program 2 units. Near West Showcase is a joint venture between Near West CDC MCL/ASD Limited Liability Company, and MCL Companies of Chicago, Inc. Mr. Gates is a community leader who resides in the Horner Revitalization Area, and is personally involved in many community activities on the west side.

26. Mr. Gates' letter details concerns about the problems with the Horner housing. A copy of the letter is attached as Exhibit B hereto. Mr. Gates' letter states that Near West Showcase does not intend to turn over the completed Program 2 units for delivery by the Receiver to the CHA until the CHA has qualified tenants in place to accept the housing.^{4/}

^{4/} Although the risk of vandalism is not eliminated by the contractor's retaining the units, it may be reduced somewhat because a contractor usually does not install appliances until units are about to be turned over. The installation of appliances makes the unit a more attractive target to vandals.

D. West of Western.

27. Pursuant to Judge Aspen's April 15, 1996 Order in the Gautreaux case, the area known as "West of Western" was added to the Horner Revitalization Area. In addition, Judge Aspen authorized up to 100 units of replacement housing to be built in the area.

28. Since the fall of 1996, the Receiver has conducted several community meetings to work with the current residents of the West of Western area to seek consensus on an approach for developing units in the area West of Western.

29. Many members of the community have been strongly opposed to any public housing residents moving into the community. At the initial meeting the Receiver conducted with approximately 100 people from the area, the resistance was so extreme that threats were made, including a threat to burn down the housing to prevent any public housing residents from moving into the community.

30. Other members of the community were concerned about the design and concentration of the housing.

31. As a result of those meetings, the Receiver has substantially modified both the location and design of proposed units. The design features now included exceed what a market-rate developer would be likely to build in the area. Nevertheless, community leaders in the West of Western area have not agreed to the plans of the Receiver.

32. Community leaders in the West of Western area have expressed their awareness of and concern with problems in the administration of CHA's scattered-site housing and, in particular, the problems that have developed in the Horner Revitalization Area east of Western. They have specifically mentioned the destruction of one of the units two weeks after it was first occupied, and the large number of units that have been delivered to the CHA and have remained vacant because no tenant had been approved as bearing on the proposed housing west of Western.

33. In the opinion of the Receiver, the ability of the Receiver to obtain consensus with the community and meet the schedule for building units in the West of Western area has been adversely affected by the problems east of Western set forth above. Unless those problems are resolved, the Receiver will fall farther behind the schedule previously set for building housing in the West of Western area. (Because of the delays in site-selection and design, the Receiver is already at least two months behind the schedule. Construction was due to begin April 1.)

34. The CHA and HRC have been urging the Receiver to begin the West of Western work immediately. Another meeting with the West of Western community, the CHA, HRC, Alexander Polikoff, Ed Marciniak (the Special Master), and representatives of the Receiver has been scheduled for June 2 to attempt to reach an agreement among all of the interested parties.

35. The problems in the Horner Revitalization Area, if not promptly resolved, may, in the opinion of the Receiver, adversely impact its scattered site and replacement housing work elsewhere, including particularly in the North Kenwood-Oakland area, as to which the Gautreaux court has also entered a "revitalizing area" Order.

E. Communications with Other Parties.

36. The Receiver has communicated with all interested parties concerning these problems. There has been a series of meetings over these issues.

37. We have attached three letters as examples of communications concerning these issues. Attached as Exhibit E is a letter dated April 16, 1997 from Alexander Polikoff to Judge Zagel. The letter states, inter alia, that counsel for the Gautreaux plaintiffs was concerned that appropriate arrangements were not in place to transfer the Horner families. In addition, the letters from Mr. Shuldiner and Mr. Wilen, discussed above, are attached as Exhibits C and D.

38. The counsel for the Gautreaux plaintiff class, Alexander Polikoff, has been informed of the concerns of the Receiver. Mr. Polikoff has agreed that this Motion should be filed with the Court, and also believes that a conference should be held with both Courts to address the problems discussed herein. The Receiver understands that Mr. Polikoff intends to file a statement to that effect on behalf of the Gautreaux plaintiffs.

F. Relief Requested from the Courts.

39. In the opinion of the Receiver, intervention by both Courts is necessary to avoid imminent and serious damage to the chances of success for the Horner Revitalization Program, and also to minimize the damage caused to the scattered site and replacement housing work of the Receiver.

40. The Receiver respectfully suggests that it would be appropriate to hold a conference with Chief Judge Aspen, Judge Zagel, the parties to both cases, and Mr. Gates to discuss the issues raised herein. In order to facilitate discussion and resolution of the issues, it may be better to hold such a conference in chambers.

41. The Receiver seeks guidance from the Courts as to what action it should take relating to the problems set forth above, including but not limited to the delivery by it of housing to the CHA.

WHEREFORE, the Receiver, Daniel E. Levin and the Habitat Company, respectfully moves that the Courts hold a conference with the parties to the Gautreaux and Horner cases, and then instruct the Receiver as to how to proceed.

Respectfully submitted,

DANIEL E. LEVIN and the
HABITAT COMPANY, Receiver,

Date: May 23, 1997

By: Michael L. Shakman
One of their attorneys

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208 South LaSalle, Suite 1100
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(312) 263-3700

CERTIFICATE OF SERVICE

The undersigned, an attorney, certifies that he caused a copy of the *Receiver's Emergency Motion for Instructions* to be served upon the following by messenger:

Jerome Butler -
General Counsel
Chicago Housing Authority
200 West Adams - 2d Floor
Chicago, IL 60606

Lewis M. Nixon
John Jensen
U.S. Department of Housing
and Urban Development
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Deputy Chief, Civil Division
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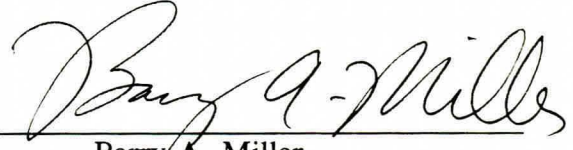
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In addition, the undersigned certifies that he caused a copy of said *Emergency Motion* to be served upon the following by commercial overnight delivery service:

Carole Wilson
Office of General Counsel
U.S. Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

this 23d day of May 1997.


Barry A. Miller

MEMORANDUM

TO: **The Honorable James B. Zagel**
cc: **The Honorable Marvin E. Aspen**

FROM: Daniel E. Levin, Chairman
 The Habitat Company

DATE: May 23, 1997

SUBJECT: **HORNER REVITALIZATION PROGRAM**
 Report as of May 23, 1997

Set forth below is The Habitat Company's second report in connection with our responsibilities for ten (10) of the Horner Revitalization Programs (the "Programs").

HORNER REVITALIZATION PROGRAM SUMMARY

<u>PROGRAM</u>	<u>#/UNITS</u>	<u>STATUS</u>
1) IL06-P802-188SB.B1	56 units	20 Completed and Transferred to CHA 36 Completed (Transferred to Habitat pending the completion of infrastructure by City of Chicago)
2) IL06-P802-188A	30 units	12 Completed and Transferred to CHA 18 Under Construction
3) IL06-P802-188B	45 units	9 Completed and Transferred to CHA 36 Under Construction
4) IL06-P802-188C-W	48 units	48 In Permit Review
5) IL06-P802-188C-N	38 units	38 In Design
6) IL06-P802-188SB.B2	39 units	39 In Design
IL06-P802-191SB.B3	32 units	32 In Design
7) IL06-P802-188SB.A1	30 units	30 In Design
IL06-P802-191SB.A2	43 units	43 In Design
8) IL06-P802-191A	57 units	57 In Design
9) IL06-P802-191B	33 units	33 In Design
10) IL06-P802-191R	15 units	5 Completed and Transferred to CHA 10 In Design
TOTAL UNITS	466 units	

FINANCIAL ACTIVITY - REPLACEMENT HOUSING PROGRAM - 616 UNITS

A status of the financial activity for each of the funded Programs for the period ending April 30, 1997, is shown below:

<u>PROGRAM</u>	<u>#/UNITS</u>	<u>BUDGET</u>	<u>COST TO DATE</u>
188 (Horner)	286	\$30,000,000	\$5,788,286
191 (Horner)	180	\$19,999,400	\$2,023,596
Horner 1996 HOPE VI/Phase II	150	\$18,435,300	\$0
TOTALS	616	\$68,434,700	\$7,811,882

HENRY HORNER REVITALIZATION PROGRAM - PHASE I - 466 UNITS

1. **Program IL06-P802-188SB.B1**
56 Units Located on Superblock B (See attached map)
Contractor - Horner New Horizons LLC (New England Builders/HAM)
Architect - Solomon Cordwell Buenz

Twenty (20) units have been completed and transferred to CHA. Nineteen (19) units are occupied. The remaining unit was vacated after it was vandalized and rendered uninhabitable less than two weeks after the initial move-in. The last thirty-six (36) units have been completed and transferred to Habitat, but cannot be transferred to the Chicago Housing Authority ("CHA") and occupied until the City of Chicago (the "City") completes new streets, alleys, sidewalks, sewers, water mains, street trees and lighting (the "City Infrastructure") and the City issues Certificates of Occupancy (See paragraph below regarding "City Infrastructure").

2. **Program IL06-P802-188A (Turnkey)**
30 Infill Units Located Between Western and Damen
Contractor - Near West Side Showcase JV (MCL/Near West)
Architect - Smith and Smith

During the months of March, April and May, twelve (12) units have been completed and transferred to CHA. Only one of the completed units is currently occupied. Completion of the remaining eighteen (18) units is expected by July 1997. This Program is two months ahead of schedule. The Contractor has informed us that it does not intend to transfer additional units to Habitat until certain issues set forth in the letter dated May 21, 1997, from Earnest Gates of Near West Community Development Corporation are solved. We believe that these issues warrant your immediate attention.

3. **Program IL06-P802-188B (Turnkey)**
45 Infill Units Located Between Western and Damen
Contractor - Starr/Enterprise LLC (Hull House CDC)
Architect - Bauhs Dring and Main

During the month of May, nine (9) units have been transferred to CHA, with four (4) additional units to be transferred by the end of May 1997. None of these units have been occupied. The remaining thirty-two (32) units are scheduled to be completed by early November 1997.

4. **Program IL06-P802-188C-West (Turnkey)**
48 Infill Units Located Between Talman and Kedzie, Along Washington and Warren
Contractor - Cyrus Development/Renaissance
Architect - Thomas and Thomas

Construction is ready to commence on these forty-eight (48) replacement units, however, due to community issues regarding design and location of these units there has been a

delay in the start of the construction (See paragraph below regarding "West of Western").

5. **Program IL06-P802-188C-North (Conventional)**
38 Infill Units Located East of Western, North of Madison
Contractor - The Thrush Company/ACORN
Architect - Peter Landon

The Contractor and Habitat have agreed to proceed under the conventional development method. The Architect is now in the final stages of design work, with construction scheduled to commence in July 1997. (See paragraph below regarding "Bedroom Size").

6. **Program IL06-P802-188SB.B2/191SB.B3 (Conventional)**
71 Units on Superblock B (See attached map)
Contractor - Horner New Horizons LLC (New England Builders/HAM)
Architect - Solomon Cordwell Buenz

Design work was completed in mid-May 1997. Pricing issues will be resolved in the next week and building permit applications will be filed by the end of May 1997. Construction is scheduled to commence when the City completes the necessary portions of the City Infrastructure for this block, which is tentatively scheduled for July 1997 (See the paragraph below regarding "City Infrastructure").

7. **Program IL06-P802-188SB.A2/191SB.A1 (Conventional)**
73 Units on Superblock A (See attached map)
Contractor - Enterprise Development/Hull House
Architects - Johnson & Lee; Hammond Beeby Babka; and Brook Architects

Design work will be completed by June 1997, with construction scheduled to begin in July 1997. Construction of units is subject to the completion of the necessary portions of the City Infrastructure for this block, which is tentatively scheduled for September 1997 (See paragraph below regarding "City Infrastructure").

8. **Program IL06-P802-191A (Conventional)**
57 Infill Units Located Throughout Revitalization Area (see #9 below)
Contractor - New England Builders/Near West CDC
Architect - Bauhs Dring and Main

Design work has commenced and is scheduled to be completed by June 1997. Outstanding issues for those units West of Western may delay commencement of

construction in those locations. Construction of units located "east of Western" is scheduled to begin in June 1997 (See also paragraph below regarding West of Western).

9. **Program IL06-P802-191B (Conventional)**
33 Infill Units Located Throughout Revitalization Area (see #8 above)
Contractor - New England Builders/Near West CDC
Architect - Peter Landon

Design work has commenced and is scheduled to be completed by the end of May 1997, with construction starting in June 1997. Outstanding issues for those units West of Western may delay commencement of construction in those locations (See also paragraph below regarding "West of Western").

10. **Program IL06-P802-191R (Rehabilitated Buildings)**
15 Infill Units Located Throughout Revitalization Area
Contractor - Genesis Construction
Architect - Farr and Associates

The architect and general contractor have been selected and were approved by the HRC on March 6, 1997. Design work has commenced and preliminary drawings have been reviewed by all the interested parties. Three (3) buildings, containing five (5) units, have already been acquired, transferred to CHA and are occupied. Design work on the remaining ten (10) units will be complete in June 1997, with construction scheduled to begin in August 1997.

OTHER ISSUES

Demolition

The demolition and debris removal of the two vacant mid-rise buildings at 2019 and 2059 W. Lake Street (the "Mid-Rise Buildings") has been completed pursuant to your amendment of the Horner Consent Decree on December 18, 1997. CHA has released the site, which has permitted the installation and completion of new water mains on Block A by the City, ahead of schedule.

City Infrastructure

Installation of new water mains has been completed on both Superblock A and Superblock B. Habitat and the City have been working together on plans to coordinate the City Infrastructure construction with the Programs. The City awarded its contract for the City Infrastructure to MQ Construction and construction began in April 1997, with scheduled completion of the necessary components (sewer, water, curb and gutter and roadway sub-base) to permit unit construction on Block B by July 1997 and Block A by September 1997.

Bedroom Size

In December 1996, estimated bedroom counts were revised by the HRC and CHA to accommodate most of the families requesting larger bedroom units, typically four and five bedroom units. Habitat held several meetings with the HRC, CHA, the private manager, the plaintiff's counsel in the Gautreaux case and residents of the West Haven community. The goal of these meetings was to accommodate the Horner residents' relocation choices without causing the geographic over concentration of large bedroom units. In early March, the plaintiff's counsel in the Gautreaux case raised concerns about the concentration of large bedroom units in five (5) locations throughout the Revitalization Areas, and asked Habitat to review the distribution of the large bedroom units. As a result, changes were made to further disperse the geographic distribution of these units. This redistribution will result in some delays for the completion of design work for several Programs, especially those described in Paragraphs #4, #5, #8 and #9. Final completion of the Programs may also be affected by this delay, however, the extent of the delay, if any, is not known at the time of this report.

HRC Meetings

Habitat has continued to meet weekly with the HRC and CHA to discuss the implementation of the Programs. During March, April, and May of 1997, the primary issues discussed have included: transfer and occupancy of completed units, unit bedroom size, potential revisions to unit specifications, progress on infill and Superblock Programs, and status of the City Infrastructure. At these meetings, the CHA and HRC representatives have discussed the delays

in ensuring that tenants are available to move into the units as they are available. Each side has claimed that the other is responsible for the delays.

Status of Schedule

As you are aware, you entered an Order, dated December 20, 1996 (the "Order"), pursuant to which you approved the Receiver's Early Start Schedule of December 4, 1996, with three (3) exceptions referenced in the Order (the "Schedule"). The Program described in Paragraph #2 is ahead of the Schedule, and the Programs described in Paragraphs #1, #3, #6, #7, and #10, are all proceeding according to the Schedule. The demolition of the Mid-Rise Buildings was completed two (2) months ahead of the Schedule. Commencement of the construction of the City Infrastructure has begun. The City is looking to expedite its schedule so as not to delay the beginning of the construction of the Programs described in Paragraphs #6 and #7, and not delay the occupancy of those units in Paragraph #1.

The Programs described in Paragraphs #4, #5, #8 and #9 have been affected by the request of the HRC and CHA for an increase in the number of bedrooms constructed. Also, the implementation of those Programs described in Paragraphs #4, #8 and #9 has been affected by West of Western community issues (see paragraph regarding West of Western below).

West of Western Outreach

As you know, on April 15, 1996, Judge Marvin Aspen in the Gautreaux case designated Development Area No. 2, also known as "West of Western", as an extension to the Horner Revitalization Area for the location of up to 100 units of replacement public housing. This area is bounded by North Talman Avenue on the east, West Lake Street on the north, North Kedzie Avenue on the west, and West Madison Street on the south.

In the Fall of 1996, Habitat began meeting with the West of Western community to review development plans for the area. Conversations occurred continuously and four (4) meetings with community members were held on February 5, 1997, March 5, 1997, April 7, 1997, and April 28, 1997 (Court-appointed Special Master, Ed Marciniak was in attendance at the March 5th meeting). The key issues under discussion are design and neighborhood context, inclusion of single family homes (in a multi-level style), dispersment of the larger unit buildings, social needs of the immediate community area, and resident participation in the management of these buildings. All land has been acquired; however, to accommodate the request to scatter the units, Habitat is investigating purchasing additional parcels. In response to design issues, Habitat has been working diligently with the three contracted architectural firms (working on the Programs described in paragraphs #4, #8 and #9) to include design changes that incorporate as many of the residents' requests as possible and allow the programs to remain within budget and HUD design guidelines.

A meeting on April 28, 1997, was held with a small core group of residents, including the local Aldermen and State Senator, to review these changes and issues before presenting them to the community at large. The residents of the area again repeated their concerns at this meeting concerning design, distribution, and community needs overall.

At a meeting with Dr. Christopher Reed, and the local Aldermen on May 15, 1997, they seemed to be impressed with the revised drawings illustrating the contextual relationship of the units on the streetscape of those blocks where most of the new units are to be located. However, community leaders have expressed concern over vandalism in one of the units occupied in the east of Western area and the failure of the CHA to place tenants in other units that have been delivered to the CHA. A larger meeting, including the leaders of each of the block clubs West of Western, is scheduled for June 2, 1997, at which time we hope that a consensus can be reached. If a consensus cannot be reached, there may be an adverse impact on the Schedule.

Currently, Program 188C-West involves the construction of forty-eight (48) units, and Programs 191A, 191B and 191R accounting for an additional forty-five (45) units, located West of Western.

HENRY HORNER REVITALIZATION PROGRAM - HOPE VI/PHASE II - 150 UNITS

On September 10, 1996, the CHA submitted an application to the Department of Housing and Urban Development ("HUD"), with Habitat as the designated Development Manager, for funding in response to the Notice of Funding Availability ("NOFA") for Public Housing Demolition, Site Revitalization and Replacement Housing Grants (HOPE VI) for Fiscal Year 1996. HUD approved the application for \$18,435,300, for a total of 150 replacement units in the HOPE VI phase.

It is presently contemplated that seventy-five (75) units will be built back on the existing site (bordered by West Lake Street on the north, West Washington Boulevard on the south, North Wolcott Avenue on the east and North Damen Avenue on the west), and seventy-five (75) units between Oakley and Leavitt, south of Lake Street. These units will be row houses and semi-detached homes similar and complementary to the surrounding community. The application provided for the demolition of four remaining (obsolete) high-rise structures containing 743 units. On April 21, 1997, the CHA and Habitat executed a development management agreement, with respect to the HOPE VI phase units. When a plan and schedule are approved by CHA and Habitat, they will be submitted to you for your approval.

cc: Horner Counsel of Record
Gautreaux Counsel of Record
Douglas R. Woodworth
Valerie B. Jarrett
Philip A. Hickman

Near West Side Community Development Corporation

216 South Hoyne Avenue
Chicago, Illinois 60612

Phone: (312) 738-2280

FAX: (312) 738-2308

Mr. Daniel Levin
Chairman,
The Habitat Company
350 West Hubbard St.
Chicago, IL 60610

May 21, 1997

Dear Mr. Levin:

I am writing to inform you that due to serious problems in the actual operations of the tenant transfer process in the Horner Redevelopment Project and after great deliberation, the Near West Side Community Development Corporation and our partners Davis/MacLain cannot in good conscience continue to transfer units that we have constructed over to The Habitat Company for use by the Chicago Housing Authority. Thus, we will not turn over any more units constructed under program 188A until serious flaws in the operations of the operation of Horner Tenant Transfer and Occupancy program are addressed.

We take this action after great and serious deliberation -- and while we know that this upsets the time table, we are convinced that this is the only responsible action to take if we are seriously concerned about the well-being of the residents, of the community, and of the housing that we have built.

As you know, our action comes after a long history of trying to ensure that the replacement of the Horner High rises would be more than turning a slum on its side, but rather the process would live up to the expectations given to the community -- and the nation when it was first conceived. We have long been concerned and voiced our fears to CHA and to HUD that the inadequate tenant screening policies, inadequate property management assurances and the lack of funds for a thorough tenant assessment and training program violated the community's original agreement with the CHA, and more seriously were not adequate to achieve the hoped for improvements in Horner residents' lives, the creation of a mixed income community, with the housing and the successful integration of the residents into the broader community.

Recent events have confirmed our worst fears. In the past month, alone:

- Two weeks after moving occupancy a new unit was found to have been taken over by gangs and totally "trashed", with fixtures torn out of the wall, gang graffiti covering the walls, drug paraphernalia strewn throughout the apartment and the toilet inoperative, overflowing and still being used. The unit has been taken out of use until the damage can be repaired.
- Alerted by a strange smell during a response to a new resident's call for help in using the lighting system in a newly occupied unit, it was discovered that nails had been driven into the oak kitchen cabinets of a new unit; the nails were being used to hold the laundry which was being dried over the open flames of the stove.
- Illegal sleeping quarters for non-lease occupants have been set up in the basement of one of the new units, complete with bed, stereo and refrigerator.
- All the new units are carpeted, but no Horner transfer resident has either a vacuum cleaner or alternate training in carpet care.
- As far as we know, contrary to an agreement with Central West and the Consent Decree, there have been no evictions of problem tenants.

This situation is clearly intolerable. It is imperative, for our cooperation, and more important for the success of this endeavor that those items that we have repeatedly raised finally be addressed; specifically:

1. That the originally promised tenant screening mechanism be put into place. That screening process would ensure that Horner transfer tenants – LIKE ALL OTHER PROSPECTIVE TENANTS - would undergo a screening process conducted by a joint committee of Horner Tenants and representatives of the broader community into which they are moving. In addition, like all other prospective tenants Horner transfer tenants would be subject to a check of credit history and criminal activity as well as house keeping habits.
2. That CHA live up to their agreement with the Central West Community that they would enforce laws regarding tenancy and swift evictions of violators, for cause.
3. That an assessment and training program be instituted, as promised. The assessment program would identify the social, physical, mental and housekeeping problems and the training program would address them before and during their occupancy of a new unit.
4. That community based organizations, with accountability to the neighborhood would develop and manage, if not own, the units built within the broader community and that Horner residents would receive the job training and placement services needed to ensure their participation as productive members of the larger community..

These are the necessary elements of any program that desires to do more than simply 'change the shape of the box' in which residents live; these are the fundamental elements necessary to provide Horner residents and their children any real improvement in the quality of their lives, and is the basis upon which the broader Central West Community agreed to cooperate with the CHA.

Some history might be useful:

- In August of 1994 then Chairman of the CHA, Vince Lane met with the Central West Community Organization, and 200 homeowners from the area bounded by Damen, Western, Madison and Van Buren, who are members of the organization. His purpose was to convince this representative organization that we should cooperate with CHA's plans to disassemble Horner, which all acknowledged as a blight on the lives of the residents and the community – and use the redevelopment funds to create housing that would be a community asset and builder. The CHA vision was that the funds would be used to create mixed income housing that would allow integration of the residents into community and would be appropriate to and consonant with the development plans and activities already taking place at the behest of the community. In other words the creation of affordable housing, occupied by former CHA residents and new residents who were public housing eligible, but where no one would be categorized or stigmatized by "how they pay their rent".
- What the CHA needed and wanted was access to land already designated for housing development by the community and its representative organizations. The community however, too painfully aware of the CHA's bad track record on both tenant and property management, was opposed. Surrounded by Horner on the East and Rockwell on the West, they feared that CHA's deconcentration of Horner would simply mean the spread of problem tenants over a greater land mass – potentially destroying the fragile community they had worked to preserve over the past fifty years and were now improving.
- After several difficult meetings, agreement was reached. The CHA promised that in return for cooperation, it would ensure in writing, before construction began, that:
 - half of the housing would be for very low income families; half for families earning 50-80% of median income;
 - all residents would be subject to careful tenant screening policies and only qualified tenants would be allowed to move into the newly created housing;
 - screening of tenants - all tenants- would be conducted by a joint committee of CHA residents, CHA officials and representatives of the broader community;
 - in the time period between the agreement and move in, CHA would evict tenants who were violators of the lease (violations which included criminal activity, non-payment of rent) would

- assess every tenant and provide the appropriate housekeeping, job readiness, substance abuse and physical or mental rehabilitation services necessary to ensure success in independent living;
 - all new housing would be designed with input from the broader community and;
 - the housing would be developed and managed, if not owned, by community based organizations (with or without private development partners as appropriate) in order to ensure the long-term accountability to the community that was warranted and demanded.
- When Mr. Lane was removed at the time of the HUD takeover of CHA, community members were once again concerned. A meeting was held with Eisendrath and Shuldiner. Agreement was reached and the terms were set forth in a letter signed by both. With the signing of the letter we believed that we were on the threshold of a new beginning for all residents of the area – public housing and private home residents alike.
- To show our belief and support for the program and the residents of Horner, the Near West Side Community Development Corporation took two of the two- flat market rate buildings in the City of Chicago's Showcase of Home and sold them to CHA. It was done without press notice or fanfare because we wanted the families to quietly settle in – and demonstrate that the concept would work. It is important to note that these families were screened rigorously because the CHA, Horner Residents Council, Tenant Selection Committee and the Near West Side Community Development Corporation, wanted this to be a success. It was also our first indication that there would be problems with the placement of some residents.
- To further show our support, Near West conveyed 30 lots that had been intended for market rate housing developments over to The Habitat Company for use in the scattered site aspects of the Horner Replacement Program. And as an indication of broader community support and good faith, the Central West Community Organization turned its bi-weekly meetings into joint meetings with the Horner Residents Council. The broader West Haven community very much wanted the program to succeed, and at the suggestion of Horner resident Sue Sago, the West Haven boundary was moved north to Lake Street to include Horner. The new development now bears the name of her request, The Villages of West Haven.
- Things were proceeding smoothly until questions regarding tenant screening were raised at a joint HRC-Central West meetings... and we learned of issues that had been decided in the consent decree that directly violated or impeded the agreement under which the community and agreed to cooperate and under which we conveyed the land.
 - We learned, from Tom Finnerty, that contrary to our agreement, the Tenant Selection Committee, could screen only new tenants coming into Horner (or the 50-80% group). Existing residents would be exempt.
 - We also discovered that no dollars had been set aside for social and human development. Ten million had been set aside for Cabrini, yet, amazingly, of the \$50 million for Horner, there was not one dollar designated for job training, parenting skills, housekeeping training, mental or physical rehab – any of the services which this isolated group of tenants needs to have a chance of life enhancement or true integration to the community – or even assurance that the costly units would not be destroyed.
- In 1995 we raised concerns about tenant screening with Tom Finnerty, Mamie Bone and the HRC and asked what was being done with problem tenants. The answer was that for the next two years there would be rigorous enforcement of the CHA lease and problem tenants would be evicted. To date, to my knowledge there has been no eviction in Horner since the decree was signed.
- In the summer of 1996, we again raised all these issues with CHA Director Shuldiner and Regional HUD Secretary Eisendrath and prepared yet another agreement affirming the first. While they met with us to stave off court action and talked through the agreement, the agreement remains unsigned somewhere in the bowels of CHA or HUD.

- Since that time we have threatened, we have talked, we have been promised, we have been obedient, but nothing has changed. We have kept our promises and made a best effort; the violations of trust and the problems remain.

I have continued to discuss these issues with Shuldiner, with Eisendrath and with Wilen to no avail - in fact their responses shock me. Wilen argues that residents have a right to move into the new units regardless of problems in the household as long as they pay their rent and weren't convicted of a felony between the time the consent decree was signed and their scheduled date of move in. CHA says let them move in, whatever their problems, and if they screw up afterwards, they'll evict. I - and the community I represent and work for - are appalled. Current operations are a perversion of what was intended to be a transformation of community and lives.

Under the current policies - without assessment, support or training - residents are set up for failure. How does it improve lives if residents are given no further skills, transferred to a new home and then evicted for non-compliance? Wilen gets them in and CHA throws them out; everyone can claim they did their jobs. It's the law they say. But it is the Horner tenants and their children who will pay, once again falling through the legal crack that is created - and justified by those involved.

Under current policies - the reconstruction of the Near West Side is also threatened. I stood here in 1968 and watched my community burn to the ground. I watched 20 years of decay as banks, stores, building owners fled the area. And in the past fifteen years I, and the other home owners that remained, have worked endlessly to reverse the tide. We have secured financing, built homes and apartments --for working people and the very poor. We have built libraries, banks, parks, schools and shops and created a Boys and Girls Club --knowing that community is something you create rather than move to. CHA had been a terrible neighbor, but we had hoped -- had been assured -- that it too was about rebuilding. It appears that this might not be the case.

Those responsible say that there is nothing that can be done; that their hands are tied by the Consent Decree and that there are no more resources to be had; no money, even, they say, if training and screening were mandatory under the consent decree (as we assumed they would be). But Mr. Levin, that is not true.

Last week I received a commitment of \$1 million from the private sector to do life skill training for residents. While this may not be sufficient for the task, it is a beginning. However, because there is no mandatory participation for assessment, training and screening under the consent decree, we have no participants or support from our tacit partners, for such a program.

Frankly, we are out of ideas and solutions. To continue to convey units would not only be a travesty, but a betrayal of trust to the Horner residents and to our community. On a more practical level, it would also present an irresponsible danger to the physical and social well being of residents and neighborhood alike. Current operations threaten the life chances of Horner residents and of the community of which they are - or should be - a part.

I understand that our action has consequences in terms of contractual agreements and the like. I am not sure of the next steps. However, I know it is the right thing - the only thing - to do. I await your reply and guidance.

Sincerely,


Ernest Gates
Chairman of the Board

EXHIBIT C



The Chicago Housing Authority

April 15, 1997

Edwin Elsendrath
Chairman

Joseph Shuldiner
Executive Director

Executive Committee
Rosanna Marquez
Artensia Randolph
Timothy W. Wright III
Dr. Mildred Harris

Ed Moses
Deputy Executive Director
for Community Relations
& Involvement

Ana J. Vargas
Deputy Executive Director
for Finance and
Administration

Jerome M. Butler
General Counsel

Mr. William Wilen
Plaintiff's Attorney
Henry Horner Mothers Guild v. CHA
205 West Monroe Street, 2nd Floor
Chicago, IL 60606-5013

Dear Mr. Wilen:

As the defendant in the Mothers Guild lawsuit, the Authority often feels a certain discord between the parties in implementing the terms of the Amended Consent decree. However, I want to thank you for your efforts in working with the Authority in solving the problem at 121B North Leavitt. Your efforts in resolving the situation helped preserve the credibility of the Horner Revitalization Program.

Although we were able to work together to get this existing situation resolved quickly, it raised the question about the adequacy of screening and orientation procedures. To date, over seventy million dollars has been allocated to Horner for the development, rehabilitation, or improvement of units. Nowhere else in Chicago or the nation is so much money being expended to redevelop a public housing development. Because of this, it is in the mutual interest of both parties to ensure that this investment is protected for current and future residents.

The Authority is working with groups such as BPI, NWDCD, HRC, and East Lake to develop a strong orientation program. This program will educate residents about both their responsibilities and their rights as tenants. Because this is such an important piece, it should be required prior to occupancy of any new units.

Paragraph V, of the amended consent decree states that the management agent,

"shall be entitled to implement leases and management practices different than those currently employed by the CHA, provided the agents' practices comply with all federal, state, or local laws governing public housing tenants, and comply with the terms of the consent decree."

626 West Jackson Boulevard • Chicago, Illinois 60661-5601 • (312) 791-8500 Ext. 4171

EXHIBIT C

William Wilen
Henry Horner Mothers Guild v. CHA
April 15, 1997
Page 2 of 3

We find nothing that conflicts with federal, state, or local laws or the Amended Consent decree in requiring orientation for occupancy. In fact, not only is it not inconsistent but consistent with the decree. The decree is designed to ensure a long-term viability of the Henry Horner development. Wouldn't requiring a simple two-hour orientation be a small burden on residents while ensuring the long-term viability of these units?

Orientation is just one step in protecting the integrity of this program. The second is to require a more rigorous screening process for Horner residents. All non-Horner residents currently must go through the tenant screening committee. However, Horner residents, listed under Exhibit D, are not required to pass through this body. Again, the burden of going through the TSC to the prospective tenant would be minimal, but the potential benefit to the program is enormous. Why would we not want to empower this group of tenants and community leaders to identify residents who may need additional and more intensive training and counseling before they occupy the new units? I believe that this training for people identified by the screening committee can be funded by the moneys set aside for the Family Needs Assessment.

It has come to my attention that most parties feel that the Family Needs Assessment is flawed in its design. The Authority would like to discuss the idea of either modifying or canceling this contract and using the funds to provide for more programmatic pieces. The Authority would like the HRC's input into this idea prior to issuing a notice to proceed.

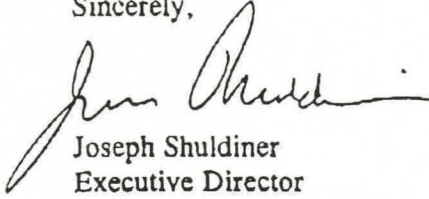
The most important step in this process is evictions. Without removing tenants who disturb the peaceful enjoyment of other tenants from Horner, the program will fail. During the past year, evictions have not been conducted in a manner sufficient to remove errant tenants. By installing East Lake as manager, the Authority is confident that necessary evictions will be processed in a timely manner.

I have instructed John Tuhey to convene a meeting with East Lake and other interested parties to discuss these issues and how to use the lease as a vehicle to resolving them. I encourage you and your clients to participate fully in this meeting because the residents have the most at stake in protecting this program.

William Wilen
Henry Horner Mothers Guild v. CHA
April 15, 1997
Page 3 of 3

If you have any questions, please feel free to contact me at (312) 791-8988 or John Tuhey at (312) 791-8500 x4507.

Sincerely,



Joseph Shuldiner
Executive Director

JS:brw

cc: Edwin Eisendrath, Chairman, Chicago Housing Authority
E.L. Higgenbottom, Chairman/CEO, East Lake Management
Richard Monocchio, Senior Advisor, Chicago Housing Authority
John Tuhey, Program Manager, Chicago Housing Authority
Mamie Bone, Chairman, Horner Residents Committee
Rosanna Marquez, Executive Committee, Chicago Housing Authority
Alex Polikoff, Gautreaux Counsel, BPI
Ernest Gates, Near West Community Development Corporation
Jerome Butler, General Counsel, Chicago Housing Authority
Valerie Jarrett, Vice President, The Habitat Company
Wanda White, Director, Development Initiatives, CHA
Tom Johnson, Outside Counsel, Chicago Housing Authority
Thom Finnerty, HRC Consultant

Exhibit D

POVERTY LAW PROJECT
NATIONAL CLEARINGHOUSE FOR LEGAL SERVICES, INC

VIA TELEFAX: 312-627-0346

April 28, 1997

Joseph Shuldiner
Executive Director
Chicago Housing Authority
626 W. Jackson Blvd.
Chicago, IL 60661-5601

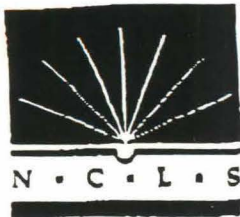
Re: Henry Horner Mothers Guild v. CHA and HUD
No. 91 C 3316 (U.S.D.C., N.D., Ill.)

Dear Mr. Shuldiner:

In your letter of April 15, 1997, you propose that all Horner residents being provided On-Site and Near West Side ("NWS") replacement housing units under the Horner Amended Consent Decree (the "decree") be required to participate in a two-hour Orientation Program prior to moving into those units. Under this proposal, any Horner class member who refused to participate would be denied replacement housing by CHA, or, if he or she had already been provided replacement housing, the class member would be evicted from such housing.

You assert that mandatory orientation is needed to ensure the long-term viability of the revitalized parts of Horner, and you note that Paragraph V of Exhibit C to the decree allows CHA's Management Agent, now East Lake Management & Development Corp. ("East Lake"), to implement practices different than those currently employed by CHA. But Exhibit C, Paragraph V, limits East Lake to use different practices only if those practices comply with the decree. Mandatory orientation for occupancy violates the decree. See Decree, Exhibit C, Occupancy Standards. The decree requires CHA to provide a replacement housing unit to all members of the Horner plaintiff class unless they: (1) voluntarily vacate Horner, (2) are evicted from Horner, (3) are convicted of certain felonies or misdemeanors on or after April 4, 1995, (4) have an authorized household member who is convicted of certain felonies or misdemeanors on or after April 4, 1995, unless such authorized household member is excluded from the household, or (5) unreasonably refuse to participate in a family needs assessment. Refusal to participate in an orientation program is clearly not a ground for denying Horner class members replacement units under the decree.

However, we agree with you that an orientation program is useful and should be offered to all Horner residents. Indeed, we have been working closely with CHA, BPI, East Lake, and Central West Community Organization to develop an acceptable orientation program. As you must be aware, the parties and groups



John Bouman
Project Director

Daniel Lesser
Wendy Pollack
Dory Rand
Margaret Stapleton
Attorneys at Law

William P. Wilen
Housing Unit Supervisor

(including CHA's Horner Program Manager John Tuhey, CHA's Director of Development Initiatives, Wanda White; East Lake Vice President Ann Harrison; BPT's Rikki Cravitz; Central West Community Organization President Ernest Gates and Thom Finerty and the Horner plaintiffs' counsel representing the HRC) reached agreement on April 10, 1997 regarding the contents of an Orientation Program to be offered on Saturday, April 26, 1997 (now changed to May 3, 1997) to the 18 families residing in the On-Site units and the five families residing in the NWS units. We further agreed that East Lake would offer each of these leaseholders an invitation to the Orientation Program.

The HRC is committed to encouraging all Horner leaseholders to attend, and it is expected that most, if not all, Horner leaseholders will voluntarily attend the presentation. For example, when the orientation film was shown to Annex residents, 22 of the 25 residents attended; one resident who did not attend had a conflict in her schedule that prevented her from attending. The HRC is prepared to contact the three residents who failed to attend and arrange for them to view the film. In the same manner, the HRC intends to contact those who fail to attend the two-hour orientation session and arrange for them to attend the orientation session prior to being placed in the new units. In the event that a Horner leaseholder absolutely refuses to attend, all parties to the decree had previously agreed that CHA may not use that refusal as a basis to deny the leaseholder replacement housing. However, because of the importance of the orientation program in informing residents of their rights, duties and obligations, and in familiarizing them with the operation of the equipment in the new units, the HRC would agree to defer placing any leaseholder in a new unit until the leaseholder had attended the orientation, as long as the leaseholder remains eligible for replacement housing.

However, your proposal to require Horner class members to undergo a more rigorous screening process under which their eligibility would be determined by the Tenant Selection Committee ("TSC"), or by the CHA Board Chairman Edwin Eisendrath if the TSC is evenly divided, is totally unacceptable to us.

First, it is contrary to the agreement all the parties and the Gautreaux plaintiffs reached when the amended decree was entered. At that time, everyone promised that as long as Horner class members remained tenants in good standing with CHA and did not run afoul of one of the five criteria set forth in Exhibit C, they were to be provided replacement housing. Second, it is contrary to current CHA policy regarding transfers. When a CHA tenant transfers from one public housing unit to another, CHA does not "re-screen" the residents. If the resident is in good standing under the lease and a unit is available into which the resident may transfer, the transfer is granted. That policy was incorporated into the decree. Exhibit C, Paragraph V, allows CHA to use different practices only if those practices comply with the decree. Requiring more rigorous screening violates the decree. See Decree, Exhibit C, Occupancy Standards.

Additionally, the need for more rigorous screening now is directly related to CHA's failure and refusal to enforce the lease provisions of the Horner residents who are eligible for the new units. When the amended decree was entered, all parties recognized that CHA and its managing agents had the responsibility, on and after April 4, 1995, to evict any Horner leaseholder who

violated the terms of the CHA lease. In dereliction of this duty, CHA issued not one "for cause" notice of termination (i.e., for lease violations other than nonpayment of rent) during the 15-month period (April 1995 - June 1996) it was responsible for management of Horner. During Pinnacle's management nine-month tenure (July 1996 - March 1997), 26 for cause termination notices were served on Horner residents (according to documents supplied to plaintiffs' counsel by the CHA legal department). However, we know of no tenant who was evicted based on these notices because CHA accepted rent from most, if not all, of these tenants, thereby waiving the grounds for termination. Because it failed in its duty to take action to remove tenants who may not have complied with their leases, CHA now wants to violate the decree to deny replacement housing to those tenants.

The answer is not to violate the decree but to begin today to seriously enforce the tenant obligations imposed on them by their leases. CHA has already sought and obtained one modification to the decree after promising it would not seek any additional changes (see ¶ 30: "No further changes to Phase I of the Horner Revitalization Plan or to this Agreement will be made without the consent of the parties."). We simply cannot agree to keep changing the decree every few months because CHA or others now wish to take actions contrary to their agreements, particularly when CHA could have easily avoided its current dilemma by acting as a responsible property manager.

Significantly, the CHA and the HRC have already begun a process, as contemplated by the decree, to make eligibility determinations regarding the new units. Under the decree, the question of determining which Horner residents satisfy the requirements of the decree is not to be performed by the Tenant Selection Committee ("TSC"), as this committee's jurisdiction only extends to review of new residents for Horner. The Horner class members are automatically eligible for the new units as long as they are not disqualified for failure to satisfy one of the five criteria set forth in Exhibit C. Under Paragraph 16 of the decree, CHA must attempt to reach agreement with the HRC, not the TSC, on whether these criteria are met.

Since February 1997, John Tuhey, Wanda White, and Eva King have made eligibility determinations with the HRC for the ten Horner residents placed in the On-Site units and the three Horner leaseholders placed in NWS units. They have considered each resident on a case-by-case basis. If CHA has reasons to pass over or deny replacement housing to a particular resident, it has provided us those reasons and we have worked with CHA in resolving the matter. In some cases, where CHA's reasons are valid, we have agreed to pass over residents until certain conditions are met (e.g. Bertha Barfield, Sabrina Mays). In other cases, where CHA's reasons are not valid, we have insisted that CHA provide the resident replacement housing as required by the decree (e.g. Mae Francis Johnson). In addition, we have worked closely with CHA to develop a master data base that will expedite processing of the Horner applications. We hope to complete this data base soon and to jointly develop procedures for updating it and utilizing it to make eligibility determinations. However, under the decree, if the CHA and the HRC are unable to agree on eligibility determinations, the matter is to be resolved by Judge Zagel.

This is not to say that the HRC will refuse to work with CHA to solve problems regarding tenant occupancy. To the contrary, as you acknowledge, we were able to resolve the difficult situation at 121B N. Leavitt in two days through joint discussion and action. These efforts were made because the HRC wants the revitalized Horner to provide the kind of decent, safe and sanitary housing that CHA and HUD failed to provide to Horner residents for so many years and that resulted in the lawsuit being filed. We are just now obtaining relief for the families who had to endure those horrible conditions, and the HRC is not interested in denying housing to those who satisfy the criteria we all agreed would be used to determine eligibility for the new units. But we are willing to work through any problems with CHA on a case-by-case basis.

Regarding the Family Needs Assessment, our understanding is that CHA has entered into a contract with the University of Illinois at Chicago to perform a family needs assessment as contemplated in the decree. If CHA is able to obtain UIC approval to cancel or amend this contract, the HRC would be willing to discuss with CHA another use of the funds, as long as such use is consistent with the decree. If the funds are used to provide social services to Horner residents, the HRC will strongly encourage all residents in need of help to utilize any services that are made available to them.

We must bring to your attention a serious matter that also affects the ability of the Horner class members to obtain replacement housing as required by the decree. It is now clear that CHA has failed to relocate Horner residents selecting Scattered Site and Section 8 replacement housing units in a timely manner. Under the decree, Horner class members selecting Scattered Site and Section 8 permanent replacement housing units were to have been relocated to these units on or before April 4, 1997. As of April 18, 1997, only 32 Horner class members out of 152 (21%) who have selected Scattered Sites have been provided units, and only 29 out of 84 (26%) who have selected Section 8 have been provided units. As a result, the 120 Horner class members have been denied their Scattered Site units and 55 have been denied their Section 8 units.

We have attempted to work with CHA to remedy this problem. Initially, CHA refused to meet with us at all, although we had requested a meeting with CHA on the Scattered Site and Section 8 problems for several weeks. CHA finally agreed to meet on April 1, 1997. At that meeting we agreed on a procedure for jump-starting the processing of Scattered Site applications, which apparently had remained dormant for over a year, but no agreement was reached regarding processing of the Section 8 applications. We are willing to give CHA a reasonable time to provide replacement housing to those Horner class members selecting Scattered Sites and Section 8. However, if substantial progress is not made in the immediate future, we propose that CHA turn over processing of the Horner Scattered Site applications to American Marketing Services ("AMS") and the processing of Section 8 applications to the Leadership Council for Metropolitan Open Communities ("Leadership Council"). In addition, we invite CHA to meet immediately with the HRC to discuss payment of compensatory damages to all Horner class members who have been denied Scattered Site and Section 8 housing. We propose that each of them be compensated in the amount of \$6.00 per day per unit, the same measure of damages authorized by Judge Zagel for Habitat's failure to comply with the Order of December 20, 1996. If substantial progress is not made by CHA on the processing of these applications, and if we cannot

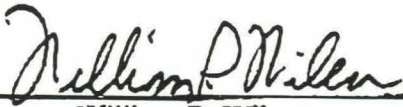
reach agreement on the damages issue, the Horner plaintiffs and the HRC will have no choice but to initiate contempt proceedings against CHA and ask that AMS and the Leadership Council be appointed Receivers for the processing of Horner applications for Scattered Sites and Section 8. Mr. Polikoff has been fully briefed on this issue and will support our application for the Receivers. We also intend to seek compensatory damages for the tenants as well as attorneys' fees.

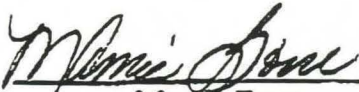
CHA is also in contempt of the decree by failing to pay the HRC's consultants' fees within 30 days of submission of their invoices. Currently, CHA has refused to pay bills totaling almost \$100,000 for work performed from June 1996 to January 1997. Andy Rodriguez recently informed us that the issues relating to these consultant fees discussed in our letter to you of February 18, 1997 and in your letter to us of February 27, 1997 had been resolved, and he promised that these bills would be paid by April 18, 1997. They were not so paid and still have not been paid.

Finally, CHA remains in contempt of Judge Zagel's Order of December 17, 1996 relating to boarding and securing 2245 W. Lake. You stated in your letter of February 27, 1997 that CHA intended to re-secure the building. We do not believe that CHA ever re-secured the building; in any event, it is not secure today and causes all of us continuing problems that affect the viability of the revitalization effort.

We are most interested in meeting with you as soon as possible to resolve these matters.

Sincerely,


William P. Wilen
Attorney for Horner Plaintiffs


Mamie Bone
President, Horner Residents Committee

cc: Edwin Eisendrath, Chairman, CHA
Rosanna Marquez, Executive Committee, CHA
Richard Monocchio, Senior Advisor, CHA
Wanda White, Director, Development Initiatives, CHA
John Tuhey, Horner Project Manager, CHA
E.L. Higgenbottom, Chairman/CEO, East Lake Management
Dan Levin, President, Habitat Company
Jerome Butler, General Counsel, CHA
Tom Johnson, Outside Counsel, CHA
Alex Polikoff, Gautreaux Counsel
LeRoy Hansen, HRC Co-Counsel
Thom Finerty, HRC Consultant,
Ernest Gates, Near West Community Organization

Exhibit E



Business and Professional People
for the Public Interest

April 16, 1997

BY FAX: 312/435-7578

Hon. James B. Zagel
U. S. District Court
Northern District of Illinois
219 South Dearborn - #1978
Chicago, Illinois 60604

Dear Judge Zagel:

Given the relationship between the Horner Mothers Guild case and Gautreaux, I hope you will not think it amiss for me to make a suggestion to you about Horner.

Although much has been accomplished pursuant to the Horner consent decree, a critical time is at hand. Large numbers of dwellings are soon to be made available (the beginning of a pipeline flow over the next year), and scores, soon hundreds, of public housing families will be moving into their new homes beginning this spring. As counsel for the Gautreaux plaintiffs we have grave concern that appropriate arrangements are not in place to provide confidence that this substantial movement of families will be handled as all parties would wish and as the consent decree contemplated. We fear that if effective steps are not soon taken, the entire noble Horner revitalization effort may be seriously prejudiced.

We would like to suggest that in this situation your "good offices" could be therapeutic. If you were to summon the parties to a status conference and allow sufficient time for all concerns to be expressed and explored in an informal manner, there is a possibility that under your leadership such a conference could provide much-needed guidance and direction to all involved. At the invitation of the Court, we would be happy to participate.

Sincerely


Alexander Polikoff

cc: By Fax:
All Counsel of Record
CHA
HRC
The Habitat Company
East Lake Management and Development Corporation
American Marketing Services
Central West Community Organization

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

DOROTHY GAUTREAUX, <i>et al.</i>	)	
	)	
Plaintiffs,	)	
	)	
v.	)	66 C 1459
	)	66 C 1460
CHICAGO HOUSING AUTHORITY and	)	(Consolidated)
ANDREW CUOMO, Secretary of Urban	)	
Department of Housing and Urban	)	Hon. Marvin E. Aspen
Development,	)	
	)	
Defendants.	)	
	)	

HENRY HORNER MOTHERS GUILD,	)	
<u>et al.</u> ,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	No. 91 C 3316
	)	
THE CHICAGO HOUSING AUTHORITY	)	Hon. James B. Zagel
(CHA), an Illinois Municipal	)	
Corporation; et al.,	)	
	)	
Defendants.	)	

NOTICE OF MOTION

TO: SEE ATTACHED SERVICE LIST.

PLEASE TAKE NOTICE that on May 23, 1997, the undersigned presented to the Clerk of the U.S. District Court for the Northern District of Illinois, Eastern Division, the *Receiver's Emergency Motion for Instructions*, a copy of which is served upon you herewith.

Respectfully submitted,

DANIEL E. LEVIN and the
HABITAT COMPANY, Receiver,

Date: May 23, 1997

By: Michael L. Shakman
One of their attorneys

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Derek L. Cottier
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