

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 98-1807

DOROTHY GAUTREAUX, et al.	)	
	)	
Plaintiffs,	)	Appeal from the United
	)	States District Court for the
v.	)	Northern District of Illinois,
	)	Eastern Division
CHICAGO HOUSING AUTHORITY,	)	
a corporation, and JOSEPH SHULDINER,	)	No. 66 C 1459
Executive Director, in his official	)	
capacity.	)	Chief Judge Marvin E. Aspen
	)	
Defendants.	)	

**APPENDIX OF EXHIBITS SUBMITTED IN SUPPORT
OF RECEIVER'S STATEMENT IN RESPONSE
TO THE CHA'S STAY MOTIONS**

Volume II

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OF RECEIVER'S STATEMENT IN RESPONSE
TO THE CHA' STAY MOTIONS**

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EXHIBIT

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Affidavit of Phillip Hickman dated 3/30/98
(with Exhibits 1-14, 16-24 and 26-29 attached and
Exhibits 15 and 25 bound
separately in Volumes III - VII)

B

Affidavit of Phillip Hickman dated 4/7/98
(with attached Exhibits)

C

Affidavit of Phillip Hickman dated 5/21/98
(with attached Exhibits)

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Volume II

Declaration of Daniel Levin dated 3/17/98
(with attached Exhibits)

E

Affidavit of Daniel Levin dated 3/30/98
(with attached Exhibits)

F

Affidavit of Barry Miller dated 3/31/98
(with attached Exhibits)

G

Affidavit of Michael Shakman dated 4/15/98
(with attached Exhibits)

H

63 Fed. Reg. Pp.15577-15584
(SuperNOFA)

I

Excerpts from prior HOPE VI Applications
produced by CHA on 5/20/98

J

Affidavit of Valerie Jarrett dated 3/31/98
(with attached Exhibits)

K

Affidavit of Valerie Jarrett dated 5/27/98
(with attached Exhibits)

L

Receiver's Emergency Motion for Entry of Order Implementing
CHA's Duty of Cooperation dated May 18, 1998

M

EXHIBIT

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Horner HOPE VI and ABLA/Brooks Extension HOPE VI
Development Management Agreement
(with April 30, 1997 cover letter)

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Exhibit 15 to Affidavit of Phillip Hickman dated 3/30/98

Volume IV

Exhibit 25 to Affidavit of Phillip Hickman dated 3/30/98 (1 of 4)

Volume V

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Volume VII

Exhibit 25 to Affidavit of Phillip Hickman dated 3/30/98 (4 of 4)

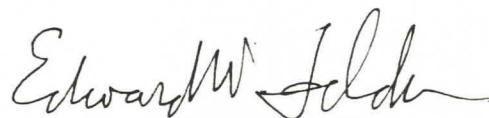
CERTIFICATE OF SERVICE

The undersigned, an attorney, hereby certifies that on May 27, 1998 he served a copy of the *Appendix of Exhibits Submitted in Support of Receiver's Statement in Response to the CHA's Stay Motions – Volume II* on the parties listed below by causing a true and correct copy to be delivered to them via messenger delivery at their respective addresses as indicated below:

Susan Getzendanner, Esq.
Nancy Eisenhauer, Esq.
Skadden, Arps, Slate,
Meagher & Flom (Illinois)
333 West Wacker Drive
Suite 2100
Chicago, IL 60606

Alexander Polikoff, Esq.
Business and Professional
People for the Public Interest
17 E. Monroe Street
Suite 212
Chicago, IL 60603

Dated: May 27, 1998



Edward W. Feldman

MAR-17-98 16:07 FROM:

ID:

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

DOROTHY GAUTREAUX, et al.,

Plaintiffs,

v.

CHICAGO HOUSING AUTHORITY,

Defendant.

No. 66 C 1459

Chief Judge Aspen

DECLARATION OF DANIEL E. LEVIN

Daniel E. Levin, being duly sworn upon oath, states.

1. I am the Chairman of The Habitat Company.
2. On August 14, 1987, this Court appointed me and The Habitat Company jointly as Receiver for the Chicago Housing Authority for certain housing development activities.
3. As part of my responsibilities as Receiver, I attended a meeting on March 10, 1998 at the CHA's office with Joseph Shuldiner and Richard Monocchio of the CHA, Janet Elson of HUD, and Valerie Jarrett of Habitat.
4. Based on a series of events culminating in the March 10 meeting, I sent a letter to the Court on March 13, 1998. A copy of the letter is attached as Exhibit A hereto.

MAR-17-98 18:07 FROM:

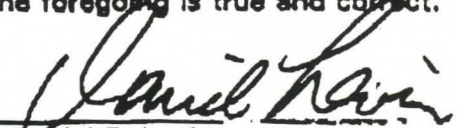
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5. The statements contained in the March 13, 1998 letter and herein are true of my own personal knowledge, except that some of the statements in the March 13 letter concerning background events preceding the March 10, 1998 meeting were based on information from employees at The Habitat Company who I supervise in my role as Receiver and which I believe to be accurate. I would so testify if called as a witness.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on March 17, 1998:


Daniel E. Levin



THE HABITAT COMPANY

March 13, 1998

BY MESSENGER

Hon. Marvin Aspen
United States District Court
Room 2548
Dirksen Federal Building
219 South Dearborn Street
Chicago, Illinois 60604

Re: Gautreaux v. CHA, No. 66 C 1459

Dear Chief Judge Aspen:

In my role as Receiver, I am writing to request instructions. This request follows a meeting I had with the CHA and HUD on Tuesday, March 10, and the problems that I have encountered and foresee continuing in fulfilling my role as Receiver.

I had requested the meeting with the CHA and HUD to discuss implementation of your Order of February 23, 1998 relating to CHA housing funded under the HOPE VI program. The CHA's positions, as described in that meeting, have led me to conclude that I need direction from the Court.

Your February 23 Order stated that HOPE VI funds are within the Gautreaux case, a matter that had been disputed by the CHA. Therefore, after I received your February 23 Order, I asked Lewis Nixon, the Acting Secretary's Representative in Chicago for HUD, and Joseph Shuldiner, the CHA's Executive Director, to meet with me to discuss what I hoped would be a cooperative approach to new housing to be built with HOPE VI funds. (Your August 14, 1987 Order appointing me and The Habitat Company assigned to the Receiver responsibility for the CHA's non-elderly housing development programs, including all such programs "which may in the future be authorized by HUD" during the pendency of the Gautreaux action, p.2 §(c). Housing to be built with HOPE VI funding clearly appears to be within your Order.)

The meeting was scheduled for March 10, 1998, at Mr. Shuldiner's office. Because Mr. Nixon was unavailable, Janet Elson attended for HUD. Valerie Jarrett accompanied me; Richard Monocchio accompanied Mr. Shuldiner.

At the meeting, Mr. Shuldiner stated that he did not agree with your February 23 Order, that he opposed the Receivership, and that he disagreed with the requirements of various Court Orders mandating housing to be located so as to further desegregation goals. He also stated that the CHA intended to proceed with its own programs for development of new housing without the Receiver, and invited us to "try to stop him." He made it clear that no cooperation would be forthcoming, and that if the Receiver opposed him, he would join tenants in pressing claims against us.

EXHIBIT A

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Because of the extraordinary nature of the statements made, and their implications for my ability to carry out my responsibilities as Receiver, I feel it is necessary to set out in some detail what was said.

* * * * *

I began the meeting by expressing my desire to work cooperatively to implement your February 23 Order. Ms. Elson also expressed her desire that we work together.

Mr. Shuldiner said that he reads the February 23 Order as dealing only with the location for HOPE VI housing, and not as a statement that HOPE VI-funded housing is within the Gautreaux judgment for all purposes. He added that he does not agree that the Court-ordered Gautreaux locational requirements (such as one-for-one construction of housing in limited and general areas, the designation of revitalizing areas, etc.) should limit the CHA's ability to place new housing units wherever it chooses.

I pointed out the language of your February 23 Order, which states: "We hold that the judgment order governs the CHA's use of HOPE VI funds." Mr. Shuldiner said he didn't agree with that language. He repeated that your Order dealt only with location and, despite the language, that it had no other effect on HOPE VI housing, and had nothing to do with the Receiver's authority. In addition, Mr. Shuldiner said that he was considering appealing your Order, and that if he did not appeal, he would attempt to get rid of the Receiver, because he couldn't accept the consequences of the Receivership.

I suggested that we ask to discuss this issue with the Court, to determine what your February 23 Order meant, if there were any doubt. Mr. Shuldiner repeated that HOPE VI funding began long after Gautreaux and shouldn't be governed by it. I said that it was the CHA's responsibility under the Order appointing the Receiver to cooperate with us.

Mr. Shuldiner repeatedly expressed at length and in detail his anger at Mr. Polikoff, plaintiff's counsel. He asked if Mr. Polikoff is "going to control our life." He said there are over 3,000 housing units to be constructed at a cost of over \$300 million. He asked if we really expected that the Receiver was going to oversee the development of all this housing. If that is the Receiver's view, he stated, the CHA will ask the Court to eliminate the Receivership or provide that there be more than one party building the new housing.

I told Mr. Shuldiner that we were not seeking to function as a "dictator" of CHA development, wanted to work with him and the CHA, and understood the competing needs and pressures with which the CHA must work, of which desegregation was the paramount priority, but not the only

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concern. If there is \$300 million of new housing to be built, it might make sense to bring in others to help (under the Receiver's supervision), especially if it is to be built in a short period of time. I suggested that we should all work together to resolve problems and make new housing available as quickly as possible.

We also discussed a series of meetings that occurred between the Receiver and the CHA after we met with you last summer. (As you will recall, following the Receiver's filing of an Emergency Motion in late May 1997, you suggested that the parties attempt to resolve their differences, which included the question of whether the Receiver or the CHA had authority over HOPE VI funding when used for new family housing development. During those discussions, the CHA expressed its opposition to the Receiver carrying out HOPE VI housing development, and we discussed the possibility of requesting the Court's agreement to permit the CHA to conduct certain non-elderly housing development on a demonstration basis, in order to see if the CHA had adequate development capability. At that point, there were fundamental differences between the Receiver, the CHA, and the Gautreaux plaintiffs concerning the CHA's desire to end oversight by the Receiver and the Court of new housing development by the CHA. When the CHA filed its motion seeking a determination that HOPE VI funding was not within the Gautreaux decree, the Receiver informed the CHA that the discussions were pointless since the Court would be resolving the dispute over the scope of the authority.)

In our March 10 meeting, Mr. Shuldiner said that if the Receiver did not agree that the CHA would assume future housing development responsibility for projects not already specifically allocated to the Receiver, he would "fight" and would oppose the Receiver in all respects. In particular, he said he would support a potential claim by the plaintiff class in the Horner case for damages against the Receiver if we did not agree to his demand. (As you know, the Receiver is building housing in the Horner case under the supervision of Judge Zagel, because of separate litigation ended by a consent decree. Late in 1996, an issue arose in that case as to whether the Receiver was falling behind schedule, and whether residents should receive damages if we were. Judge Zagel ruled that the issue was premature, and that he would address it when and if he had to. He directed that we provide liquidated damage provisions for delay in future contracts with contractors building Horner housing, to serve as a possible source to fund such damages, and we have done so.)

At our March 10 meeting, we also discussed certain issues relating to the cost of housing built by the Receiver. Mr. Shuldiner said that the CHA's signature is required by HUD procedures on certain Annual Contribution Contract ("ACC") forms to provide funding for disbursements to be made to the Receiver. He said that if the CHA's signature is required, the CHA will withhold its approval unless the Receiver satisfies the CHA with extensive backup material and data to the same extent as the CHA is required by HUD to satisfy HUD for its funding. Mr. Shuldiner thought it was unfair that HUD trusted the Receiver, and did not require as much detail as it requires from CHA.

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(This is the first time Mr. Shuldiner has told us of that position, although over \$7.69 million is now held up by his refusal to execute the ACC amendments. The funds being held up are affecting our funding of new developments in several communities, including at Horner and Lawndale.) Mr. Shuldiner expressed resentment that HUD does not treat the CHA on the same basis that it treats the Receiver, because HUD accepts certain requests from the Receiver without elaboration, while requiring additional justification from the CHA. Mr. Shuldiner complained that HUD is a rubber-stamp for the Receiver, but applied a far more rigorous standard to the CHA.

Mr. Shuldiner expressed great hostility and distrust towards HUD's Chicago office. He also stated that he had taken steps to have a HUD employee removed from his responsibilities because that employee had cooperated with the Receiver. (We received copies of e-mails between Mr. Shuldiner and this employee, where Mr. Shuldiner berated the employee for even raising the possibility that the Receiver may have responsibility for HOPE VI funding following your February 23 Order.)

Mr. Shuldiner also said that the CHA intended to proceed to build new family housing at the Darrow Homes (in a limited area surrounded by other public housing), and anywhere else the CHA felt was appropriate. Mr. Shuldiner added that if anyone wants to stop the CHA, they are going to have to sue. He said that Darrow will be the test case and that it was always understood that CHA, and not the Receiver, would build the new housing for Darrow. He said that if the CHA loses on Darrow, it will appeal.

(There had been discussions among Mr. Polikoff, the Receiver, and the CHA about allowing CHA to build 38 units of new housing at Darrow as a demonstration project. As is discussed below, no agreement has been reached for the CHA to build that housing — or a greatly expanded project it recently submitted to the City's Planning Commission without the Receiver's knowledge. At our March 10 meeting, Ms. Elson noted that Vincent Lane, when he was CHA Chair, had tried to prove the CHA's development capacity by developing 350 units as a demonstration program. When the CHA was unable to develop even one unit after 3½ years, the Receiver assumed responsibility in a joint venture with CMHDC, an arm of the CHA.)

Mr. Shuldiner said that the "whole revitalizing area concept is ridiculous." He said that the CHA should be able to house people wherever it can house them. CHA residents at Robert Taylor Homes, he stated, have to be housed. Mr. Shuldiner asked if we wanted to go deal with the gangs at Taylor, as he has to do.

Mr. Shuldiner said that Mr. Polikoff is "with the unborn residents, and future generations." Mr. Shuldiner said that "we [the CHA] throw in our lot with the current residents." (In context, it was clear that he was saying that he wanted to provide new housing for residents wherever possible,

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regardless of the locational requirements based on the desegregation provisions of the Gautreaux judgments.)

Mr. Shuldiner said that the CHA doesn't need the Receiver to lease housing. He said again that if the CHA goes back to court it will ask the Court to get rid of the Receiver.

Mr. Shuldiner raised the question of how much money Habitat was making from its role as Receiver. Richard Monocchio asked about the pass-through of costs incurred by the Receiver, expressed the view that many developers hide profits in such costs, and implied that we were doing the same thing. I said we didn't make a penny of profit on out-of-pocket costs. (The Receiver is entitled to a fee of 2% on turnkey and 3% on conventional developments, under the August 14, 1987 Order. The fee is not based on all costs, but on certain construction-related costs. My time and other executives' time is not billed. Administrative costs represent an average of 4 to 4½% of project costs, and are approved by HUD. They are a pass-through of our expenses, without mark-up.)

I said that the CHA acts as if it doesn't trust us and doesn't believe I'm telling the truth. I added that if all we wanted was money we would do as little as we could and get out. Mr. Monocchio said he knows we aren't doing that. We also discussed Habitat's fees for leased units.

I repeated that it might be well to ask for a meeting with you. I also said we would talk to HUD about our views, and that the very poor relationship between the Receiver and the CHA wasn't serving the people who need housing. Mr. Shuldiner said he had to consult with his lawyers before agreeing to a meeting with you.

Ms. Jarrett said that it was unfortunate Mr. Shuldiner felt the way he did, since we had a common purpose. She said that Mr. Shuldiner was telling us that the Court's February 23 Order was meaningless, we are dishonest, and that the CHA would like to get rid of us.

I told Mr. Shuldiner that I was proposing to make a cooperative arrangement with the CHA, but the CHA must acknowledge that the Court's February 23 Order has some meaning, and that the CHA must acknowledge its obligation to plan and consult with the Receiver. I said at least five times that I was willing to try to work with him to solve problems. I emphasized that I was not seeking to sit in his chair, and was not trying to make all of the decisions.

Near the end of the meeting, Mr. Shuldiner told me that he had offered to residents at Cabrini-Green a development partnership interest. He will build replacement housing with them, and without the Receiver. He made it clear that he is going to continue to make plans with the residents at Cabrini-Green, and that we could only "try to stop him."

* * * * *

The statements made by Mr. Shuldiner at the March 10 meeting are the latest developments in a difficult relationship between the Receiver and the CHA over at least the past year. I will briefly discuss the relevant background.

Your August 14, 1987, Order appointed me and The Habitat Company as Receiver, with responsibility for new housing development. Your Order gave the Receiver authority to develop "all CHA non-elderly public housing development programs . . . authorized by HUD during the pendency of" this litigation. August 14, 1987 Order at 2, ¶(C).

The HOPE VI program was created by HUD annual appropriation statutes in fiscal year 1993 and each fiscal year since. Substantial funding has already been allocated (and additional sums may be allocated in the future) to the CHA for the purpose of developing new non-elderly public housing. HUD has determined that the Receiver, and not the CHA, is responsible for new non-elderly housing development with HOPE VI funds. (See Lewis Nixon's July 29, 1997 memo attached to the December 19, 1997 Statement we filed with the Court.)

The February 23, 1997 Order (at 5) held that the Gautreaux Judgment Order "governs the CHA's use of HOPE VI funds."

Despite the Court's Orders and the statutory background, prior to our meeting on March 10 the CHA has made intermittent objections to the Receiver exercising authority over non-elderly housing construction funded by HOPE VI, as well as filing the motion that led to your February 23 Order.

Much of the factual history is described in the Statement we filed on December 19, 1997, commenting on the CHA's Motion. Following the 1995 takeover of HUD by the CHA, the Receiver worked hard to cooperate with the new CHA management led by Mr. Shuldiner, and tried to avoid bringing a dispute to Court concerning the Receiver's authority. The "development manager" concept was created so that the Receiver could administer HOPE VI funds in cooperation with the CHA, without a dispute over the Receiver's role.

The CHA, however, revoked the earlier written confirmation from its then Chairman, Edwin Eisendrath, that the Receiver would function as development manager at Cabrini-Green, and did not include the Receiver in the HOPE VI applications for Taylor and ABLA II.

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We do not know if those discussions have ripened to commitments, since the CHA has not shared any of this information with us or involved us in any way in its planning. If replacement housing units are developed, it appears likely that they would fall within the language of the August 14, 1987 Order. If the Receiver is to take any action to construct new housing for residents of Robert Taylor, it is important that we immediately be made aware of the status of HOPE VI (and other) funding, and all prior communications with the City, tenants, and others. It is also important that we discuss how such housing will be built consistent with the desegregation obligations of the CHA under the 1969 Judgment Order in this case.

(b) Darrow. Mr. Polikoff, the Receiver, and the CHA had a series of discussions concerning the possibility of the CHA creating a housing demonstration project at Darrow. Several years ago, the CHA received \$8.5 million from HUD under either the modernization or Comprehensive Grant program to rehabilitate a building at Darrow. The CHA spent about \$500,000 on architectural plans. It then learned that the cost of rehab exceeded the funds available, and demolished the building, after agreeing (without court permission or consultation with us) with the tenants that it would build replacement housing on site.

The funds available allow for approximately 80 replacement units. Mr. Polikoff and the Receiver discussed with the CHA that if the Receiver did not need to use 38 units built in Rogers Park to offset units the Receiver was building in Woodlawn (on the 1-for-1 formula provided by the Judgment Order, as amended), then the CHA could use the 38 units on a one-for-one basis to build 38 units at Darrow without a court waiver of the Gautreaux locational requirements. The CHA also considered seeking permission to build an additional 40 units (approximately) on site. No agreement was reached.

We next heard about the CHA's plans for this development by chance, when Valerie Jarrett of Habitat attended a Chicago Plan Commission Meeting in February 1998, where a formal proposal was scheduled to be presented by Andrew Rodriguez for the CHA for a 105-unit project at Darrow that we (and plaintiffs' counsel) knew nothing about. After the Receiver objected, the matter was deferred.

As noted above, Mr. Shuldiner said in our March 10, 1998 meeting that he intends to proceed with the Darrow project, and that the Receiver (or anyone else) would have to take legal action to stop him. Mr. Shuldiner's plans appear to conflict with the Court's August 14, 1987 Order.

(c) Cabrini-Green. A November 14, 1995 letter from Edwin Eisendrath confirms that Habitat would act as development manager for the Cabrini project, including HOPE VI, in its role as Receiver. But as discussed in our December 19, 1997 Statement filed with the Court, the CHA subsequently vacillated among involving the Receiver in the redevelopment of this project,

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* * * * *

The statements made by Mr. Shuldiner at the March 10 meeting are the latest developments in a difficult relationship between the Receiver and the CHA over at least the past year. I will briefly discuss the relevant background.

Your August 14, 1987, Order appointed me and The Habitat Company as Receiver, with responsibility for new housing development. Your Order gave the Receiver authority to develop "all CHA non-elderly public housing development programs . . . authorized by HUD during the pendency of" this litigation. August 14, 1987 Order at 2, ¶(C).

The HOPE VI program was created by HUD annual appropriation statutes in fiscal year 1993 and each fiscal year since. Substantial funding has already been allocated (and additional sums may be allocated in the future) to the CHA for the purpose of developing new non-elderly public housing. HUD has determined that the Receiver, and not the CHA, is responsible for new non-elderly housing development with HOPE VI funds. (See Lewis Nixon's July 29, 1997 memo attached to the December 19, 1997 Statement we filed with the Court.)

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Despite the Court's Orders and the statutory background, prior to our meeting on March 10 the CHA has made intermittent objections to the Receiver exercising authority over non-elderly housing construction funded by HOPE VI, as well as filing the motion that led to your February 23 Order.

Much of the factual history is described in the Statement we filed on December 19, 1997, commenting on the CHA's Motion. Following the 1995 takeover of HUD by the CHA, the Receiver worked hard to cooperate with the new CHA management led by Mr. Shuldiner, and tried to avoid bringing a dispute to Court concerning the Receiver's authority. The "development manager" concept was created so that the Receiver could administer HOPE VI funds in cooperation with the CHA, without a dispute over the Receiver's role.

The CHA, however, revoked the earlier written confirmation from its then Chairman, Edwin Eisendrath, that the Receiver would function as development manager at Cabrini-Green, and did not include the Receiver in the HOPE VI applications for Taylor and ABLA II.

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abandoning the Receiver, and pursuing the project on its own, and reinvolving the Receiver in the leasing of 44 units at Mohawk North and Old Town Square.

Since 1993, no units have been produced by the CHA. In addition, the Receiver has 190 units of Gautreaux funding authorized for use in this area. It has been blocked from using any of these units because of lack of a comprehensive plan, from which the CHA has largely excluded us. There has also been a separate lawsuit brought by Cabrini tenants against the CHA.

Until the March 10 meeting, we had understood that nothing had been resolved at Cabrini. At the March 10 meeting, we learned for the first time that Mr. Shuldiner has made some kind of promise to residents that they would be partners with development entities to be created by them and the CHA. It was clear from Mr. Shuldiner's comments that his arrangement with the tenants does not include a role for the Receiver. Any promises made by Mr. Shuldiner could jeopardize our ability to comply with the Gautreaux Orders, and would be contrary to our responsibilities under the August 14, 1987 Order appointing us.

(d) Horner. Judge Zagel is supervising the construction of replacement housing at Horner, which is occurring under a consent decree in separate litigation. You have received copies of reports on the status of construction there. (We are proud to say our construction recently won a national award.)

As discussed above, an issue arose in that case as to whether the Receiver was falling behind schedule, and whether residents should receive damages if we were. Judge Zagel ruled that the issue was premature, and that he would address it when and if he had to. He provided that we should require contractors to provide liquidated damages for delay in future contracts with contractors building Horner housing.

At the March 10 meeting, Mr. Shuldiner stated that if we oppose him on the HOPE VI issue, he will encourage Horner residents to seek damages from the Receiver. We are concerned that this threat reflects an attitude of hostility under which it will be more difficult to work.

(e) ABLA and Horner II. These development efforts are complicated by the existence of the Horner lawsuit, and the need to coordinate plans with tenants, neighbors, local elected officials, and the court supervising the Horner reconstruction process. Developing procedures to implement the desegregation objectives of Gautreaux, while building replacement housing, presents difficult issues. In view of Mr. Shuldiner's statements we are concerned that necessary cooperation will not be provided by CHA.

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(f) Scattered site housing. We continue to build scattered-site housing in the General Area and, as recently as this week, closed on two additional buildings. In a letter of March 6, sent by Mr. Shuldiner to me shortly before our March 10 meeting, he made a number of complaints about our work as Receiver. We do not see the need to respond in detail at this time to Mr. Shuldiner's views, although we are prepared to do so. We do want to note our concern that Mr. Shuldiner apparently doesn't agree with the Court's determination that revitalizing areas are a step towards desegregation, even though CHA has repeatedly agreed to court orders to that effect.

(g) Funding. At the March 10 Meeting, Mr. Shuldiner said he would withhold approval for \$7.69 million in funding for the Receiver. We believe we have met all of the requirements for the funding. HUD has approved it, and sent it to CHA for final signature. No CHA signature is required under the August 14, 1987 Order. Therefore, those funds should be transferred. Without the transfer, the progress of our program will be severely impeded. We are already overdue on bills awaiting the funding.

(h) Information. CHA has not provided us with information concerning its HOPE VI and other new non-elderly housing development plans. We do not know the scope of other planned non-elderly housing development that CHA has considered, or may even have authorized. We do not know to what Mr. Shuldiner was referring when he discussed 3,000 units of housing costing \$300 million.

In addition, after the filing of our Emergency Motion in May 1997, the CHA directed the managers of its scattered site housing not to provide information directly to us, and that prohibition remains in effect. That is contrary to the cooperation requirement in the August 14, 1987 Order. Information concerning the occupancy of the scattered site units is necessary, among other reasons, to trigger the cutoff of certain payments from the development budget we administer.

We were told that the reason for the prohibition was our filing of the Emergency Motion against the CHA. Since we were a litigant, the CHA would not allow us access to their agents without going through counsel. We were advised that all requests for information must proceed through counsel.

* * * * *

We recognize that it is not our role to determine the scope or duration of our responsibility as Receiver. It is our responsibility, however, to advise you that our ability to act effectively is being impaired.

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We accepted the position of Receiver to be a developer of housing, not to be a policeman over the CHA, and certainly not to be a litigant with the CHA over all housing-related decisions. Unfortunately, the CHA's conduct has frequently forced us to involve our counsel in litigation-type activity, at the expense of focusing on housing development.

The CHA's frequent adversarial attitude to the relationship with the Receiver clearly impedes the development of new housing urgently needed by CHA residents.

The Receiver would like to develop new housing in a cooperative manner with the CHA. We would like to respond to CHA needs, while also meeting the desegregation objectives of Gautreaux. A working relationship has to develop between the CHA and the Receiver. The CHA should share its needs and ideas with the Receiver in advance of making commitments. It should meet on an ongoing basis to try to develop solutions for the benefit of residents. That has not been happening.

I had held off asking for the Court's directions, in the hope that we could work through the process with the CHA and reach pragmatic solutions that respected our responsibilities as Receiver while not offending the CHA. Based on the most recent meeting with Mr. Shuldiner, I believe that there is no prospect of a solution being developed without Court intervention. Our effectiveness as Receiver is clearly impaired by the problems posed by the CHA's actions and attitudes.

We appreciate the responsibility you have given us as your Receiver. We also appreciate and support the important goals to be accomplished by implementation of the Court's Orders in this litigation. It is a privilege to perform this public service.

We reiterate our willingness to operate in a cooperative fashion with the CHA.

We need your assistance and directions in carrying out the tasks you have entrusted to us.

Respectfully,
THE HABITAT COMPANY



Daniel E. Levin

Hon. Marvin Aspen

March 13, 1998

Page 12

cc: Jerome Butler/Susan Getzendanner
Valerie Jarrett
John Jensen/Linda Wawzewski
Lewis Nixon/Janet Elson
Alexander Polikoff/Julie Brown
Michael L. Shakman
Joseph Shuldiner/Karen Newton

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

DOROTHY GAUTREAUX, et al.,

Plaintiffs,

v.

CHICAGO HOUSING AUTHORITY,

Defendant.

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RECEIVED

MAR 31 1998

No. 66 C 1459

MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURT
Chief Judge Aspen

AFFIDAVIT OF DANIEL E. LEVIN

Daniel E. Levin, being duly sworn upon oath, states:

6. On March 17, 1998, I executed a Declaration in connection with the Gautreaux plaintiffs' motion for further relief. To avoid confusion, the paragraphs contained herein are numbered consecutively to that declaration.

7. I am the Chairman of The Habitat Company. On August 14, 1987, this Court appointed me and The Habitat Company jointly as Receiver for the Chicago Housing Authority for certain housing development activities.

8. I am a graduate of the University of Chicago. I also graduated from the University of Chicago law school.

9. After graduation from law school, I practiced law for about three years.

10. I moved to Chicago in 1957, and began working in the real estate development business. I founded The Habitat Company in 1971.

11. During the past 26 years, The Habitat Company has developed over 12,000 units of housing in Chicago.

12. The Habitat Company currently manages over 15,000 units of housing at every income level. Over 4,000 of those units are low income housing.

13. As Receiver, through the end of 1997, we had built and delivered to the CHA 1,630 units of housing and had under construction over 100 additional units of scattered site housing. This housing cost \$169,323,765 through that date.

14. As Receiver, we have built and delivered 133 units of replacement housing in connection with the demolition of housing that is part of the Henry Horner Homes development. This Horner replacement housing is provided under a consent decree entered in a case pending before Judge Zagel. An additional 198 units of Horner replacement housing are under construction.

15. We have also been involved as Receiver in developing 317 units in the North Kenwood-Oakland neighborhood. As of year end 1997, 45 units were completed and transferred and 26 units were under construction.

16. In developing our scattered site and replacement housing, The Habitat Company functions as the developer, not as the builder of the housing. Contrary to

the suggestion in the CHA's Motion for a Stay at 6, Habitat seeks out parties to bid either on a turnkey or competitive basis. Habitat does not act as a contractor.

17. The history of our dealings with the CHA concerning housing to be funded under the HOPE VI program is discussed in my letter to the Court of March 13, 1998, and in the accompanying affidavits of Philip Hickman, Valerie Jarrett, and Barry A. Miller.

18. During discussions with the CHA in 1995 and 1996 about the HOPE VI work, Mr. Shuldiner had difficulty in accepting the word "Receiver" in describing Habitat's duties. Therefore, in an effort to compromise and move forward, I concluded that it did not matter to the Receiver if we were called "Receiver" or some other title with respect to the development of replacement housing using HOPE VI funds, as long as the Receiver was able to discharge the duties the Court had given us, and provided any such arrangement was acceptable to the Court. Accordingly, I told Mr. Shuldiner and others at the CHA that we were willing to be called "development manager" with respect to HOPE VI housing work at Cabrini-Green.

19. As set forth in the Affidavit of Mr. Hickman, Edwin Eisendrath, then Chair of the CHA and the HUD Secretary's Representative (its highest ranking local official) in Chicago, wrote Habitat in November 1995, in response to our request, to confirm that the CHA wanted Habitat to proceed as development manager for Cabrini.

20. Based on our role as Receiver, and the written assurances of Mr. Eisendrath, we conducted the replacement housing development work for Cabrini in 1995 and 1996, as discussed in detail in the affidavit of Mr. Hickman.

21. In late 1996, as discussed in the Hickman affidavit, the CHA attempted to prevent us from performing further work on the HOPE VI application at Cabrini. Since little or no work was being performed at Cabrini because of a lawsuit filed by Cabrini tenants, I did not think it necessary to bring this matter immediately to the Court's attention, but instead we discussed it from time to time with the CHA.

22. In addition, other disputes with the CHA concerning new housing development arose. Although I always tried to negotiate matters directly with the CHA and avoid going to Court for the Court's assistance, if possible, I found it increasingly difficult to work these disputes out with the CHA because Mr. Shuldiner and his staff were unwilling to accept that the Receiver had been granted exclusive responsibility for the development of all non-elderly public housing.

23. In May 1997, I determined that problems with the CHA concerning the Horner replacement housing were sufficiently severe that I needed to apply to this Court and Judge Zagel for instructions, which the Receiver did by motion.

24. After Chief Judge Aspen and Judge Zagel scheduled and conducted an in-chambers conference on the Receiver's May 1997 motion, Chief Judge Aspen

entered an Order referring the Horner issues for dispute to Judge Zagel, recommending mediation if appropriate.

25. Chief Judge Aspen also scheduled a conference in chambers at which all Gautreaux parties were invited to discuss the relationship between the Receiver, counsel for the plaintiffs, and the CHA.

26. At that status conference, held on July 2, 1997, all parties stated their positions. I informed the Court of a number of problems between the Receiver and the CHA, including the dispute over whether the Receiver or the CHA had authority to conduct the development of new non-elderly housing units with HOPE VI funds:

27. The CHA's statement in its Motion to Stay ¶10 that this point was not raised with the Court before entry of this Court's Order of February 23, 1997, is therefore not correct. I raised the point on many occasions with the CHA, and specifically raised the point with the Court seven months earlier -- before the CHA filed its HOPE VI motion.

28. At the July 2 status, the Court (a) directed the parties to negotiate the issues over which they differed, (b) offered to appoint a special master to assist in the negotiation, and (c) stated that the Court would rule if disagreements remained. Accordingly, we scheduled discussions with the CHA concerning several outstanding issues, including the dispute over authority to develop new non-elderly public housing with HOPE VI funds.

29. At a meeting held on July 10, the CHA refused even to discuss the HOPE VI issue. Most of the discussions held in June and July are described in more detail in the accompanying Affidavit of Barry A. Miller.

30. On July 11, 1997, Edwin Eisendrath, then chair of the CHA, sent a letter to Mr. Polikoff stating that the CHA would not discuss non-Horner issues unless the Receiver withdrew its Emergency Motion and took those issues "off the table." A copy of that letter is attached as Exhibit 1 hereto.

31. On July 17, 1997, I wrote Mr. Eisendrath and told him I disagreed with his letter. I told him I believed that the CHA's approach was inconsistent with the directions the Court had given the parties in chambers on July 2. A copy of my letter is attached as Exhibit 2.

32. On July 17, 1997, I attended a meeting at the CHA offices with Michael Shakman, Derek Cottier, Valerie Jarrett, and Philip Hickman representing the Receiver. Edwin Eisendrath, Joseph Shuldiner, Jerome Butler, Mia Barricini, Richard Monocchio, Thomas Johnson, Susan Getzendanner, and Nancy Eisenhower attended for the CHA. Derek Cottier, one of the counsel for the Receiver, wrote a letter on July 24, 1997 confirming the substance of the meeting. A copy is attached as Exhibit 3. At the meeting, the CHA again persisted in its refusal to discuss the HOPE VI issue.

33. Mr. Butler responded to Mr. Cottier's letter on August 6, 1997. A copy of his letter is attached as Exhibit 4 hereto.

34. In discussions with the CHA beginning at the end of July 1997, we considered a proposal to resolve the HOPE VI dispute by allowing the Receiver to complete housing it had begun, and allowing the CHA to pursue agreed housing development on a demonstration basis, subject to the approval of the Gautreaux plaintiffs' counsel and the Court.

35. Drafts of an agreement were exchanged. The Receiver included language making it clear that any CHA development work was for a limited time on a demonstration basis. The CHA would not accept that language, and asked the Receiver to agree to recommend to the Court that the CHA receive the authority to conduct all new non-elderly public housing development not already assigned to the Receiver.

36. Based on my experience in real estate development and as Receiver, I was aware that substantial development experience is required successfully to develop any housing, and particularly racially and/or economically integrated housing in the Chicago market. Building housing, without paying attention to a myriad of issues concerning location, appearance, marketing, government regulations, provision of services, and other factors will not generate good housing on a racially and/or economically integrated basis.

37. Because of my belief that the CHA did not and does not have the necessary development capabilities, I declined to agree with the CHA to recommend to the Court that the Court give the CHA full authority to conduct new public housing development.

38. During our discussions, we proposed that we jointly ask to meet with the Court to resolve our differences if we could not reach agreement. Negotiations ended following the CHA's unilateral decision instead to file its HOPE VI motion with the Court on September 30, 1997.

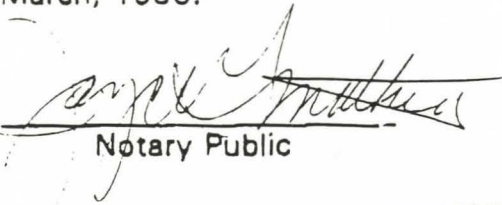
39. Following the Court's denial of the CHA's motion on February 23, 1998, I asked Joseph Shuldiner and Lewis Nixon, HUD's Acting Secretary's Representative, to meet with me to discuss implementing the Court's decision.

40. The meeting with Mr. Shuldiner and Janet Elson, a representative of HUD (attending because Mr. Nixon was not available), occurred on March 10, 1998. I sent a letter to the Court on March 13, 1998 reporting the statements made by Mr. Shuldiner at the March 10 meeting.

41. The foregoing matters are based upon my own personal knowledge except where another source is noted above and in such cases is on information and belief; in those instances I believe the information to be true and correct. I would so testify if called as a witness.


Daniel E. Levin

Subscribed and sworn to
before me this 30th day of
March, 1998.


Notary Public





The Chicago Housing Authority

VIA FACSIMILE AND U. S. MAIL

July 11, 1997

Mr. Alexander Polikoff
Business and Professional People for
the Public Interest
17 East Monroe Street, Suite 212
Chicago, Illinois 60603

Dear Alex:

I read with interest your July 8 letter to "West Haven Interested Parties." I thought it identified important issues that bear on the future of the entire Homer endeavor.

However, before agreeing to meeting on these new Homer issues, there are other issues already raised by you and by the Habitat Company, both in the press and in the court, that need to be taken off the table. The CHA met with Habitat to review data on vacancies, vandalism, screening, management practices, etc. The CHA believes that the facts are no longer in dispute, yet neither the Habitat Company nor the Gaudreau counsel have ever backed away from the public and unsupported allegations that have in and of themselves damaged our efforts to create a viable mixed income community in West Haven.

Your letter does not mention these issue at all. If they are still important and "emergency" concerns - as you have previously characterized them - then I do not see how we can get together without first resolving them. If, however, you and Habitat agree that the matters included in your previous filings and press statements have been addressed, then we can move on to other issues.

Regarding those issues, I understood your original position to be that if the CHA went forward with the rehab of any of these buildings you would oppose the designation of the area east of Damen as revitalizing. We discussed this at a meeting in Joe Stankiner's office where you did not change this position, but suggested that the matter merited further study. If you have further studied your position the CHA would appreciate discussing it with you before meeting with all of the parties you invited to your meeting.

in Executive
Branch
John Stankiner
Senior Director
Public Communities
James Morgan
Senior Planning
Adviser
W. Wright III
Midwest Branch
Morgan
Senior Executive
Adviser for Community
Initiatives & Investments
James M. Butler
General Counsel

That was the meeting where you asked if the CHA would delay asking HUD for approval to reallocate the HOPE VI money. CHA did not agree (I was, parenthetically, surprised by your subsequent letter to Kevin Marchman where you stated you had never heard about the reallocation request).

As for Superblock C and scheduling, your suggestions hint at reopening the consent decree. This is not something the CHA is interested in pushing over the objections of the residents. We have anticipated that the buildings would come down when the required units are built by the Habitat Company as prescribed in the decree.

Again, a meeting on the issues you identified is premature until your "emergency" issues have been taken off the table.

Sincerely,



Edwin Eisendrath
Chairman

/vog

cc: Joseph Shuldiner
Jerome Butler
Mamie Bone
Rosanna Marquez
Ernest Gates
Dan Levin
Tom Finnerty
Bill Wilen
Linda Wawzenski
Carole Wilson
Howard Pizer
Tom Johnson
Susan Getzendanner



THE HABITAT COMPANY

July 17, 1997

Edwin Eisendrath, Chairman
Chicago Housing Authority
826 West Jackson Blvd.
Chicago, IL 60661

Dear Edwin:

I think it is appropriate to write to you with regard to your July 11 letter to Alex Polikoff in the confidence that some additional clarification of our position will be useful. I value the friendship and excellent working relationship we have had for many years, and the spirit of the letter is intended to fully honor this relationship in all respects.

I am not sure whether your letter was written before or after our meeting of July 11. But I want to underline certain points I made at our meeting on that date. Your letter takes the position that the CHA is not willing to discuss other issues until questions raised by the Gautreaux plaintiff class and the Receiver are "taken off the table." I think that position is difficult to accept and believe it is inconsistent with continued discussions that are intended to be constructive and cooperative, and it is also inconsistent with the instructions given the parties by both Chief Judge Aspen in the Gautreaux case and Judge Zagel in the Horner case.

As you know, we view our role as Receiver as involving more than just the construction of houses. We think we have a responsibility to plan the housing in a manner that will lead to the development of a successful, economically integrated community. In addition, we think we have a responsibility, as the Court's agent, to inform the Court when we see problems develop.

We filed the Emergency Motion for reasons that we thought were valid about issues we believe are important and very relevant to performance of our responsibilities, including;

- concerns that tenants were not being placed in a timely fashion in the housing we were completing in the Horner area;

- the fact that the CHA had not yet received a list of all of the Horner tenants, so that screening could be expedited;
- our lack of confidence about the thoroughness of the tenant screening process being used, given certain incidents that had occurred at Horner;
- the fact that a transitional assistance program was not in place, even though many tenants had already moved in; and
- the fact that one of our turnkey housing contractors had refused to turn over housing to us because of its concerns about all these issues and our satisfaction that these concerns were real and required attention.

These concerns did not exist in a vacuum. Our experience as a developer and a manager — particularly as a manager of CHA housing -- gave us substantial questions about the current effectiveness of the CHA Occupancy Department to perform the tasks involved in a timely manner. In addition, communications with the CHA private managers gave us concerns that the CHA was not promptly filling the scattered site units that we have built. In addition, in our role as private managers we have expressed a concern to CHA about a variety of management related issues which we believe have provided a basis for our admitted lack of confidence on the current effectiveness of CHA in addressing serious issues of importance to the success of the Horner Program to which we are all dedicated. There had, as well, been at least 28 meetings over the last year discussing the screening and transitional assistance issues which did not produce tangible results prior to the filing of our Emergency Motion, which also added to our lack of confidence that an effective system was in place.

I believe that an excessive inference was drawn by you and CHA from the use of the word "emergency" in the Receiver Motion. As we've explained, our lawyers have told us that the word "emergency" is commonly used in court when a Motion is not routine, and it requires relatively prompt action. We have indicated the degree of frustration we have felt in dealing with relevant issues and felt that prompt attention by all parties was a reasonable reflection of the urgency of dealing with these matters. We are sorry if you and others felt the term "emergency" was such a great error, but we do not think our ability to move forward in cooperation should turn on a word used as a "term of art".

We also believe that the filing of the Motion has proved to be useful because we have seen some progress since that time, which we hope will continue. We believe the Judges took our Motion seriously, as witnessed by the conference held in Judge Aspen's chambers which Judge Zagel attended and the subsequent status conferences promptly called by both Judges. The progress includes:

- the provision by counsel for HRC to CHA of a list of all tenants;
- two meetings with us (on June 17 and July 10) where the CHA orally explained its screening procedures in some additional detail;
- the CHA's identification to us on July 15, for the first time in writing, of all Horner replacement units that have been occupied.
- further discussions about transitional assistance, including a third-party's offer of \$1 million to fund the program;
- the decision by our contractor to turn over the units it had withheld.

We do not think the primary issue is one of dropping the Motion which was a request for instructions, which we have received, or in discussing press statements which we never initiated. We have no desire for a press campaign. As we have stated many times, we simply want to do our job as we see it.

We believe our view is consistent with the process outlined by Judge Zagel in the status conference he held in his chambers on June 13th. He did not act on the Motion, but directed us to continue to confer, then to bring any problems to him for resolution (suggesting that initial discussions be in private). He also said he would consider appointing a special master to conduct mediation if the matters were not resolved.

You have also expressed concern that our Motion was inaccurate with respect to the extent of vandalism that has occurred. We and our lawyers have listened to Tom Johnson carefully on this point. We have told you that we believe the facts and language of our Motion was accurate, but we understand your position that the language was subject to misinterpretation. That was not intended by us.

Edwin Eisendrath, Chairman
July 17, 1997
Page 4

There are still issues that remain, including continued cooperation on the issues on which we have made some progress. The remaining issues include:

- we have turned over many units to CHA that have not been leased for substantial periods.
- we have turned over units to CHA that have been leased, but have not been promptly occupied.
- CHA has not provided us with more detailed information about screening practices. We think it would be very useful to prepare a manual describing the screening practices and other guidelines.
- CHA has not developed a transitional assistance program which is under contract -- let alone in place. In this connection, I am enclosing a copy of an article describing the need for an intensive tenant orientation program in scattered site housing relating to Montgomery County, Maryland in a community that provides that 12-1/2% to 15-1/2% of the housing in a subdivision of 50 or more units must be offered to low and moderate income families.

I know that you are completely committed to the success of the Horner Program and we hope to continue to be able to work with you and CHA in achieving our objectives. The Motion we filed was only intended to achieve good results for the program and was, indeed, reflective of the intensity of our commitment to bring the proper sense of urgency to fulfillment of our mutual goals. As you know, we are willing to meet at any time to discuss any of these issues so that there is no misunderstanding in going forward.

Sincerely,



Daniel E. Levin, Chairman
The Habitat Company

DEL:jm
Enclosure

Edwin Eisendrath, Chairman
July 17, 1997
Page 5

cc: Jerome Butler
Mamie Bone
Thom Finerty
Ernest Gates
Susan Getzendanner
Philip Hickman
Valerie Jarrett
Thomas Johnson
Rosanna Marquez
Barry Miller
Howard Pizer
Alexander Polikoff
Michael Shakman
Joseph Shuldiner
Linda Wawzenski
William Wilen
Carole Wilson
Douglas R. Woodworth

Scattered Site Housing Program Requires Intensive Tenant Orientation

By Vance Hyndman & Delia McCormick

Montgomery County, Md. — In its effort to scatter affordable housing throughout its communities, this affluent county has determined that resident orientation is key to the success of scattered-site housing.

Local law mandates that the local housing authority, the Housing Opportunities Commission (HOC), can bid on newly-constructed homes within new housing developments. The Moderately Priced Housing (MPH) Law passed in 1974 provides that 12.5% to 15% of the houses in new subdivisions of 50 or more units must be moderately-priced dwelling units (MPDUs). The MPH Law requires that 40% of the MPDUs be offered to HOC and other non-profit housing agencies for use by low- and moderate-income families.

For over two decades, the MPH Law has promoted the

spread of low- and moderate-income residents into brand new single-family housing communities widely dispersed throughout the county. Currently, more than 1,500 such homes are scattered in subdivisions in virtually every direction. They can be found in almost every subdivision that was built after 1974.

With the scattering of publicly-subsidized housing sites come many unique challenges. Managing and maintaining dispersed and diverse housing stock are more difficult than managing and maintaining project housing. Montgomery County invests in a sizable staff to maintain the scattered properties and counsel residents. Each site manager is responsible for approximately 350 housing units, and resident counselors have a similar caseload.

Because the individual housing units are spread in various communities, the housing authority is challenged to ensure that the residents it supports come to terms with the

many different homeowners associations and their covenants and expectations. The county must orient and support residents in a proactive way so they can succeed in the new communities.

Families moving into a new townhome in HOC's scattered site program are oriented through a series of meetings with HOC staff members. A leasing specialist explains the lease, homeowners association documents and rent payment procedures; a site manager explains the workings of the heat pump, the HVAC system and community garbage collection/recycling routines; and the resident counselor checks to

see how the family is settling in and evaluates any special needs.

This existing orientation program is not always effective, for a number of reasons. First, the family is often in an emotional state and doesn't absorb the orien-

tation information. Residents may be distracted by the excitement, relief and trepidation they feel, as many of them are ending a nightmare of homelessness or overcrowding and all of them are preparing to leave familiar environments for the unknown. Second, the staff is working with a volume of families and facing daily crises, and may not have adequate time to fully educate the family.

Outside Consultant Helps Assess Program

Only a small percentage of new families flounder to the extent that they are the subject of complaints and candidates for eviction action. However, HOC decided to undertake an effort to improve the effectiveness of its resident orientation efforts. The decision to hire an outside consultant to assess and improve the scattered site orientation involved several considerations.

First, staff had created the orientation program already in place and might be unable to conduct an unbiased assessment. Second, responsibility for resident orientation is shared among numerous divisions and disciplines within HOC, with management, maintenance, leasing, and resident services staff all making contributions.

It was important to charge overhaul to someone capable

Continued on page 38

Vance Hyndman and Delia McCormick, principal consultants with AMJ Housing Consultants located in the Washington, D.C., area, apply their international and national management experience to assist public housing and other community organizations. For further information on scattered-site resident orientations, they can be contacted at (301) 215-6823.

Scattered Site Plan Requires Tenant Orientation

Continued from page 36

of representing all these divisions and disciplines. When hired by the county, AMJ Housing Consultants developed a work plan in the summer of 1996 to interview staff, residents and community members to determine existing orientation procedures and needed improvements. Our interviews revealed the hopes of staff, community members and residents alike that the program could be bolstered and many problems alleviated through better resident orientation.

"The scattered sites program is won or lost on the front lines," stresses HOC property manager Jerry Keating. "Teach the residents what it means to be a good neighbor; it's as basic as that," he says. "Residents must understand the key lease provisions and the penalties for non-compliance with the lease and the homeowner association covenants. When they do, it will be easier for HOC to enforce the lease," affirms Scattered Sites Program Manager Douglas Long.

"Supervision of children, behavior of guests, pride in the appearance of the community, respect among the residents—the importance of these points must be made clear to residents before they move in," says Denine Martin, homeowners association representative.

"Don't let anyone move in without their knowing the

routines for trash removal, recycling collections, pet care, parking spaces and mail," say leasing staffers Bobby DeCosta and Jean Carraway.

From our interviews, we compiled a wish list of 50 different requirements, especially behaviors that the new residents would need to observe. The challenge was to offer an orderly process of preparing future residents. We also needed to take into account the quantity of informational material and lectures residents were receiving under current practices. Obviously, the residents needed to receive a clear message earlier in the process and in a way that would take.

Orientation and Services Coordinated

Our recommendations followed accordingly: transitions to scattered sites would be improved with a comprehensive, phased attack that would coordinate the orientation and servicing of the new residents. The objective would be to develop comprehensive materials and coordinated staff practices that accomplish the following:

- Raise earlier and sustain longer residents' consciousness of community norms, resulting in smoother transitions of new residents into scattered site living; better relations

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between residents and homeowners associations; fewer complaints to the housing authority; and more efficient use of public housing authority resources.

- Simplify and clarify requirement by reducing complicated, duplicative, and massive materials.
- Make a consistent, reinforcing and comprehensive orientation package.
- Provide reliable accountability for residents and staff through clearer materials and sign-off.
- Incorporate all important directives at one stop.
- Give new residents tools to succeed by developing their own capacities to: organize for success by creating budgets and schedules; maintain the external appearance of home and community; maintain and operate home systems; supervise and protect children; take responsibility for social gatherings and guests; control noise; and participate to make things better.

We recommended that HOC employ a simple brochure, to be given to each applicant that would be simple but would increase their awareness of the requirements of leases and covenants and community expectations.

This would be followed with a video orientation just prior to lease signing, and finally a handbook that would repeat key behavior requirements and also serve as a useful

guide to community services. Our mantras throughout these documents would be, in essence, to show respect for your new community and develop self-sufficiency. We emphasize specific conducts in positive ways by providing the tools necessary for resident success.

It is still too early to tell if the resident orientation has resulted in fewer complaints, less trauma for new homeowners, more harmony in neighborhoods and more efficient use of the housing authority management resources. We recommend that monitoring occur during the coming year.

Sec. 8 Orientation Has Broad Advantages

While our work was directed to scattered sites under housing authority control, we believe that Sec. 8 resident orientation programs could be helpful in promoting positive behaviors. Housing authorities can shrug off responsibility for Sec. 8 housing because landlords are presumably responsible.

But neighbors are rarely able to distinguish one form of publicly-subsidized housing from another. Sec. 8 orientation would result in a reduction in the drain on staff resources caused by community problems and complaints.

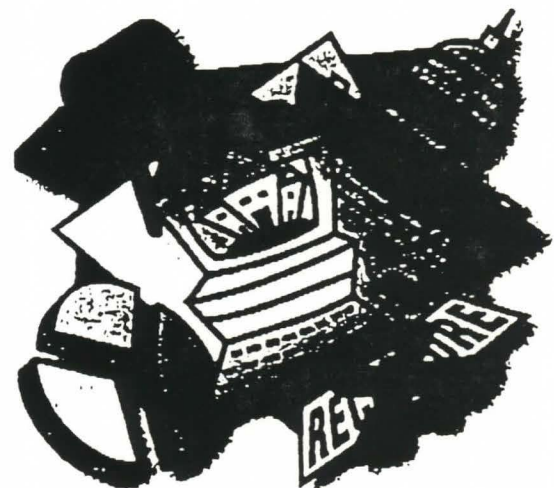
Community resistance to subsidized housing would be overcome through resident orientation to community norms. Finally, new residents would be given tools to succeed and not set up for failure. ■

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Miller, Shakman, Hamilton, Kurtzon & Schlifke
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TELECOPY COVER SHEET

TO: Jerome Butler FAX: 726-6418
TO: Susan Getzendanner FAX: 407-0411
TO: Thomas E. Johnson FAX: 422-0708
TO: Alexander Polikoff FAX: 641-5454

FROM: Derek L. Cottier

DATE: July 24, 1997

Number of pages being sent (including this cover page): 8

If there is a problem with transmission of this fax, please contact (312) 759-7231.

Please see attached.

cc: Daniel Levin 527-7440
Michael Shakman/Barry Miller

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE

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WRITER'S DIRECT LINE

July 24, 1997

BY FAX AND MAIL

Jerome M. Butler
General Counsel
Chicago Housing Authority
Suite 2100
200 West Adams
Chicago, IL 60606

Re: Gautreaux v. CHA, No. 66 C 1459, 66 C 1460

Dear Mr. Butler:

I am writing to confirm the discussions that occurred at our meeting of July 17, 1997, at the CHA offices.^{1/} For the CHA, Edwin Eisendrath, Joseph Shuldiner, Jerome Butler, Mia Barricini, Richard Monochio, Thomas Johnson, Susan Getzendanner, and Nancy Eisenhower attended. Daniel Levin, Valerie Jarrett, Phil Hickman, Michael Shakman, and I attended for the Receiver.

1. HOPE VI.

Mr. Shuldiner began the meeting by saying that he was angry about Mr. Polikoff's letter concerning the CHA's HOPE VI application. (Mr. Polikoff had taken the position, with which the Receiver agrees, that the Receiver is responsible under the terms of Chief Judge Aspen's August 1987 Order for the development of family public housing funded under HOPE VI.) Mr. Shuldiner said that he believed, based on pictures he saw in Washington, that HOPE VI development in other parts of the country looked better than the new units at Horner developed by

^{1/} We do not agree that your letter of July 17 to Barry Miller accurately states the meeting of July 10. But we will not belabor further the points made in Mr. Miller's letter of July 11.

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Habitat (which are not HOPE-VI funded), and that Habitat was taking too long. He stated that units are not available for people to move in.

Mr. Hickman stated that Mr. Shuldiner's position was incorrect. He pointed out that infill and scattered site units had been vacant for some time awaiting tenant move-ins by the CHA.

Mr. Shakman said that the CHA had indicated in Mr. Butler's July 17 letter that it was unwilling to discuss HOPE VI at this meeting. Therefore, he suggested we discuss the issues the CHA was willing to discuss.

2. Background.

Mr. Levin said that in order to avoid conflict on the issue of the scope of the Receivership, Habitat tried to work an acceptable compromise with the CHA, using the development manager concept. But despite the approval of the development manager agreement, the CHA has proceeded to act solely on its own without involving the Receiver on planning and site selection.

As the CHA has requested, the Receiver has provided the CHA with the construction contract development costs report approved by HUD for the Horner replacement housing, and has also provided requested information on the Section 3 program. Mr. Levin emphasized that he did not believe that CHA and the Receiver were enemies and that actually their goals should be much in common. He also stated that the Receiver is happy to explain to the CHA why construction of the Horner replacement housing has taken the time that has been required in light of all the approvals needed.

3. Cabrini Lease Issue.

As you know, the CHA and the Receiver originally began working together on Cabrini, with the Receiver as the "development manager" for planning CHA's 303-unit HOPE VI program. However, the CHA has not signed the development manager agreement, and the CHA has proceeded without Habitat. Recently, the CHA requested that Habitat provide funding from the 190 units allocated directly to the Receiver to lease units that are being completed by McLean Davis, and the CHA said it would pay a reasonable fee.

The Receiver and Habitat have not been able to agree on a fee for Habitat's services. At the meeting on July 17, Habitat offered to accept a fee of 2% of the Gautreaux funds used,

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which would be less than its usual 3% fee. Habitat's position is that a 40-year lease is the development of public housing, covered by the Receivership.

Mr. Levin said he thought that 2% might be on the high side for just arranging leasing, but was on the very low side if you take all the Receiver's work on Cabrini was taken into account. Ms. Jarrett said the Receiver was asked to prepare a development budget, and prepare a Development Proposal for HUD approval, which it has initiated.^{2/}

Mr. Levin emphasized that Habitat wants to make sure the units are occupied as soon as possible, without regard to the issue of what fee the Receiver receives. Accordingly, the Receiver is prepared to proceed without an agreement on a fee. If no agreement is reached, we will submit the fee question to Chief Judge Aspen who, in any event, must approve the fee.

Mr. Eisendrath asked if the Receiver would let CHA do the leasing if it could do so for less than the Receiver is requesting, or would the Receiver attempt to block the CHA. Mr. Shakman responded that it is the Receiver's right and responsibility to do the work. The Receiver has not determined whether it would use the CHA's refusal to permit the Receiver to do its job as the basis for a court challenge.

Mr. Levin explained that the Receiver's fee is based on production of units. The Receiver has produced 1600 units of housing for the CHA. The Receiver has not made a profit on every unit. The Receiver worked on the Cabrini-Green project for a year and a half without compensation for its time and is still prepared to work on Cabrini when development is ready to proceed. To date the Receiver has been paid only its direct expenses including direct payroll, blue prints, etc., but no fee has been paid to Habitat for the overhead and other work that has been done on Cabrini.

Mr. Shuldiner said the CHA will respond to the Receiver's 2% offer, but needs to consider the Receiver's revised quote.^{3/}

^{2/} The Receiver has obtained bids for an appraisal, and the appraisal is being prepared. We have had many conversations with HUD, and have been informed that HUD in D.C. approved the concept on Thursday, July 17.

^{3/} Your staff subsequently advised Habitat that the CHA was rejecting Habitat's 2% proposal.

We request that you inform us as soon as possible if you object to our continuing to proceed. The Receiver is moving forward to satisfy the HUD requirements, and is concerned that there be no more delay in finalizing the leases.

4. Horner Decree Finance Issues.

Mr. Johnson discussed the Horner consent decree finance issues. One question was whether HUD's payment of the entire \$50 million was made with the understanding that it was paying the CHA's \$5 million share, or whether HUD believes that it has paid both for the first phase of the replacement housing as well as a portion of the next phase.

Mr. Johnson said that the only reason the paragraph of the amended consent decree was written to require a \$5 million contribution by CHA to the cost of construction of the first phase of the replacement housing was because Bill Wilen wanted to allocate the money so that all of the \$30 million from HUD (in addition to Gautreaux money) went for replacement housing for very low income tenants. In fact, the full \$50 million has been provided, and Mr. Wilen agrees.

Mr. Levin said the Receiver's concern is that HUD might later assert that it has overpaid with respect to the phase I replacement housing, and is entitled to a \$5 million credit with respect to phase II housing costs. Mr. Johnson said that Linda Wawzenski, HUD's attorney, agrees with the CHA. Mr. Johnson agreed to talk to her and see if he can get written confirmation that the HUD Phase II obligations are not reduced by the \$5 million.

We then discussed the reimbursement of Habitat for the cost of construction (up to \$109,000 per unit) for replacement housing occupied by persons other than the Horner Extension residents. Mr. Johnson said that so far, every scattered site unit constructed by the Receiver as Horner replacement housing has been taken by Extension residents, with one exception. Others tenants from the Horner high-rises are on the list and will start moving into scattered site housing.

Mr. Johnson said the CHA obligation under the decree is to reimburse the Receiver 12 months after phase I is completed, and therefore nothing is due now.^{4/} Mr. Johnson said that

^{4/} We have reviewed the language of the decree since the meeting. It is unclear whether the sentence about the timing of reimbursement allows the CHA to delay the scattered site reimbursement we discussed, or whether the timing sentence applies only to the sentence discussing per unit cost of developing the scattered site units. The sentence, if applicable, directs
(continued...)

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at the time the Horner decree was entered, the parties did not know how many people would select scattered site replacement housing. The HUD Comprehensive Grant money was referred to in the decree as protection should the maximum possible number of Horner tenants select scattered site housing outside of the Horner development. Mr. Wilen took the position that no one would likely take scattered site section 8 housing, but in fact many residents have selected Section 8 housing. Mr. Johnson stated that it will not be necessary to use the Comp Grant funding as long as Horner tenants aren't taking scattered site replacement housing. The available funds should be sufficient to cover the 466 units in phase I.

Mr. Johnson said he would work with Ms. Wawzenski to get HUD confirmation of their agreement with the CHA's position.

5. Program 117 Funds.

Mr. Eisendrath said that HUD takes the position that Chief Judge Aspen's so-called "Reformulation Order" governs, and that HUD can use the Program 117 money for many purposes. The CHA is not second guessing HUD on this. HUD gave the CHA authorization to use the Program 117 funds to settle a lawsuit involving construction of elderly housing.

The Receiver agreed to talk to HUD further about HUD's position on the funds.

Mr. Hickman mentioned that the Receiver provided the CHA with a list of potential uses for the funds in May, but has received no feedback from the CHA since that discussion. Mr. Shuldiner and Mr. Levin agreed that the CHA and the Receiver should meet again to discuss mutually agreeable proposals for the Receiver's use of Program 117 funds.

6. Site Selection.

Ms. Jarrett stated that site selection is the Receiver's responsibility under Chief Judge Aspen's August 1987 Order. Ms. Jarrett said that the Receiver disagreed with Mr. Shuldiner's letter to Senator Hendon relating to site selection for Horner replacement housing in the area west of Western Avenue, and to the CHA's negotiations with the Board of Education over property in North Kenwood.

⁴/(...continued)

reimbursement "no later than twelve (12) months after the completion of the Phase in which the scattered site units were occupied as replacement housing under this Amended Decree."

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Mr. Shuldiner and Mr. Levin discussed their respective roles. They agreed that the CHA can go to court to support or oppose a proposed revitalization area. Mr. Levin said that it makes the Receiver's job harder, however, when the CHA talks to people in the community about site selection and gives a different answer about where housing will be located than is given by the Receiver.

Mr. Shuldiner expressed a concern that the Receiver has, without talking to the CHA, made an agreement with respect to the location of housing in the area west of Western Avenue that inhibits development of replacement housing for the CHA's Rockwell redevelopment by limiting the number of units in that neighborhood. Ms. Jarrett said no such agreement was made, and that these issues have been discussed at the Tuesday meetings between the CHA and Habitat. Ms. Jarrett said that the Receiver has not made a commitment to people west of Western that no other units would be built there. It has limited its commitment only to Horner replacement units.

Mr. Levin said the CHA should discuss its plans with the Receiver in advance for projects such as Rockwell replacement housing, instead of acting on its own.

Ms. Jarrett said that Mr. Shuldiner cannot say to residents, as he did, that unit concentrations west of Western should be spread out, and then tell the Receiver that by agreeing to spread out the units, the Receiver is depriving CHA of a place to build replacement units for Rockwell.

Mr. Shuldiner said that Ms. Jarrett heard Mr. Shuldiner at the public meeting, but didn't complain. Ms. Jarrett said the Receiver sought to avoid discussing its disagreement with CHA at a public meeting, and that Mr. Shuldiner's actions made the Receiver's job more difficult.

Mr. Johnson said that we should inform Judge Zagel of any delays in the construction of Horner replacement housing in the area west of Western Avenue. (The Receiver intends to file a report and/or motion advising Judge Zagel of the revised schedule.)

Addressing the North Kenwood issue, Mr. Shuldiner said the Board of Education told the CHA it wanted certain CHA land near Cabrini and the CHA agreed to swap the land for the North Kenwood parcel. According to Mr. Shuldiner, the Receiver could not have done that -- because the Receiver does not have the power to transfer CHA land. Mr. Levin said that the CHA should have told the Receiver that it wanted to do that. The Receiver probably would have said fine, but site selection is the Receiver's obligation, and in this case the CHA undertook site selection activity without consulting with the Receiver.

Ms. Getzendanner asked if the Receiver felt it had the authority to block such a transfer, or merely sought information. Mr. Levin said that there was no point in discussing the hypotheticals. The issue is that the Receiver needs to know about transfers of CHA property affecting site selection, and CHA and the Receiver need to work together. The Receiver is trying to find solutions.

* * * * *

Please let me know if you have any additional comments about the meeting. We look forward to receiving the information concerning HUD's position described at the meeting by Mr. Johnson.

We are considering preparing a Report to the Court about the meetings we have had, pursuant to Chief Judge Aspen's request to be kept advised. In that Report, we may request the appointment of a special master for mediation, should the Court so desire. It is possible that we may attach the correspondence of the parties to any Report. If you would like to respond to this letter, we will include your response in our transmission to the judge if we receive it promptly.

Sincerely,



Derek L. Cottier

cc: Susan Getzendanner
Thomas Johnson
Daniel Levin/Habitat
Alexander Polikoff
Michael Shakman/Barry Miller



The Chicago Housing Authority

Office of the General Counsel

Edwin Eisendrath
Chairman

Joseph Shuldiner
Executive Director

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

Ed Moses
Deputy Executive
Director for Community
Relations & Involvement

Jerome M. Butler
General Counsel

BY FACSIMILE AND U.S. MAIL

August 6, 1997

Mr. Derek L. Cottier
Miller, Shakman, Hamilton, Kurtzon & Schlifke
208 S. LaSalle Street
Chicago, IL 60604

Re: Gautreaux v. CHA

Dear Mr. Cottier:

I am in receipt of your July 24, 1997 letter. It is troubling that your letter sketches out in detail the Receiver's position and only grudgingly acknowledges CHA's contrary position. There is no effort to explain the basis for CHA's position. Passing that point, however, there are certain factual inaccuracies in the letter.

First, you indicate in your discussion of the Cabrini leasing issue that the Receiver has worked on the Cabrini-Green project for a year and a half without compensation for its time. We understand that the Receiver submitted invoices for its time and expenses, and that those invoices were paid. We do acknowledge that the Receiver has not been paid its fee, i.e., its profit for this work, but it is simply not true that the Receiver has expended time or incurred expenses that have not been reimbursed by the CHA.

Second, as of July 17, 1997, CHA had not asked the Receiver to prepare a development budget or proposal for any of the Cabrini work. It may be that the Receiver has initiated this work, but if it did so, it was not at CHA's direction.

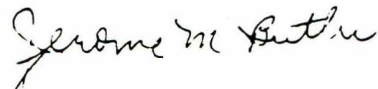
Third, with respect to the Horner decree finance issues, the language at paragraph 15 of the Horner decree makes it entirely clear that CHA's reimbursement obligation for non-Extension scattered-site housing "shall occur no later than 12 months after the completion of the phase in which the scattered-site units were occupied as replacement housing under this Amended Decree." We do not understand the ambiguity you see in this language.

We have had an opportunity to review the material you provided on Habitat's compliance with CHA's section 3 resident employment obligation. We were disappointed to see that the Step-Up hours amount to only 18.93% of all journeymen hours, when the multi-project labor agreement requires a 33.3% rate. We do not understand why residents have not been hired, as the ASAP program tells us that they have graduated in excess of 150 people. You indicate that you only have had 28 enrolled throughout the entire Horner construction program. We are interested in setting up a new meeting, involving those who run the ASAP program as well as Habitat and CHA, to further discuss this program.

In addition, we have reviewed the Development Cost Budget/Cost Statement forms submitted to HUD for the first three programs of construction at Horner. We would be interested in reviewing all data in the possession of Habitat used to complete line items 1 through 20 of each of these forms. In addition, we would be interested in whether the numbers on these forms have been revised or amended during the course of construction, and further whether similar forms are available for any of the other construction programs underway or anticipated at Horner. Please forward this information to my attention as soon as possible.

Finally, we would like to see the transcript of the meeting hosted by Habitat on May 28, 1997 involving West of Western issues. Messrs. Shakman and Miller had indicated shortly after the meeting that they could secure a copy of it, but we have not yet received it. We would like it before the August 12, 1997 conference with Judge Zagel.

Very truly yours,



Jerome M. Butler
General Counsel

/vog

cc: Edwin Eisendrath
Joseph Shuldiner
Rich Monocchio
Susan Getzendanner
Tom Johnson

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

DOROTHY GAUTREAUX, et al.,

Plaintiffs,

v.

CHICAGO HOUSING AUTHORITY,

Defendant.

RECEIVED

No. 66 C 1459

Chief Judge **MICHAEL W. DOBBINS**
CLERK, U.S. DISTRICT COURT.

AFFIDAVIT OF BARRY A. MILLER

Barry A. Miller, being duly sworn upon oath, states:

1. I am a partner at the law firm of Miller, Shakman, Hamilton, Kurtzon & Schlifke, with which I have been affiliated since 1982, and a member of the bar of this Court.

2. Since May 1997, I have acted as one of the attorneys for Daniel E. Levin and The Habitat Company, the Receiver in this matter.

3. The suggestions in the CHA's Motion for Stay that the Receiver did not act in 1997 to protest the CHA's attempt to supplant the Receiver with respect to HOPE VI development are not accurate.

4. On June 17, 1997, I participated in a meeting with several representatives of the CHA, including Jerome Butler and Thomas Johnson, lawyers for the CHA, and with Daniel E. Levin and Valerie Jarrett of The Habitat Company. At that meeting,

we discussed a number of issues largely dealing with Horner that had been raised in the May 1997 Emergency Motion filed by the Receiver.

5. Following the meeting, I wrote Mr. Johnson to confirm the matters discussed. A copy of my letter is attached as Exhibit 1 hereto. In that letter, I confirmed that the Receiver had advised the CHA in the June 17 meeting:

that it would like to hold a separate meeting to discuss other matters, including HOPE VI funding . . . and the provision of information to Habitat under the Gautreaux Court's Order. We would appreciate it if such a meeting would be scheduled next week.

6. On June 19, 1997, I also spoke with Mr. Johnson, one of the attorneys for the CHA. I told him that the Receiver wanted to meet with CHA to discuss outstanding issues. Mr. Johnson asked me to specify the issues the Receiver wished to discuss. Among the issues I identified were the dispute about funding at Cabrini-Green, the CHA's July 1997 HOPE VI application, the CHA's site selection activities, and the CHA's failure to provide all information requested by the Receiver.

7. Before the meeting with the CHA occurred, Chief Judge Aspen invited all of the Gautreaux parties to an in-chambers conference to discuss the relationship among them. Each party stated its position. During that conference, Daniel E. Levin advised the Court, inter alia, that:

- the Receiver believed the CHA was improperly excluding the Receiver from development authority over non-elderly housing built with HOPE VI funds;
- the CHA's actions indicated that it resented the Receiver;

- the Receiver wanted to develop housing, and did not care what title it was given, as long as it could perform its role;
- the Receiver had agreed to the "development manager" label for its development activities using HOPE VI funds in an effort to smooth its relationship with the CHA;
- the CHA was fighting the Receiver and causing problems on petty matters; and
- the Receiver wished to meet with the CHA to reach an accommodation over the respective roles of each so that the petty disputes would end and the two entities could cooperate.

We informed the Court that we had scheduled a meeting for the next week to discuss these issues with the CHA.

8. During the in-chambers meeting on July 2, Chief Judge Aspen responded by saying that he encouraged the parties to meet together to attempt voluntarily to resolve their disputes about all outstanding issues. He offered to appoint a special master to mediate, if that would help. He also expressed his willingness to resolve any contested disputes, if that were required.

9. The meeting with the CHA requested by Habitat was scheduled for July 10, 1997. Following the in-chambers meeting with Chief Judge Aspen, I wrote Jerome Butler on July 3 to advise him in more detail of the points the Receiver wished to raise at the July 10 meeting.

10. A copy of my July 3, 1997 letter to Mr. Butler is attached as Exhibit 2 hereto. In that letter, I listed 11 points the Receiver wished to discuss with the CHA. These included:

1. Site Selection Activities. Habitat would like to discuss whether the CHA's site selection activities for family housing development are consistent with Chief Judge Aspen's August 14, 1987 Order.

2. HOPE VI Issues. As you know, it is Habitat's view that it must participate in the application for HOPE VI funding used for family housing development (including any application the CHA is making this month), as well as the administration of any such program (including the letter we understand the CHA is planning to send to HUD in August about some of its prior HOPE VI programs). Habitat views HOPE VI as within the scope of Chief Judge Aspen's August 14, 1987 Order. The CHA does not agree. Habitat would like to discuss this general disagreement. Habitat would also like to discuss each of the developments currently being pursued under HOPE VI.

Other matters discussed included the CHA's direction to private managers not to provide information to Habitat, the Cabrini-Green long-term lease arrangements, funds the CHA diverted from an account used by Habitat at HUD, and Horner matters.

11. Mr. Butler responded on July 9 with a letter to me. A copy is attached as Exhibit 3 hereto.

12. Mr. Butler's July 9 letter said that the CHA would refuse to discuss at the July 10 meeting the broad issues that we had asked to have discussed -- despite Chief Judge Aspen's directions that we should negotiate. (We had asked to have these issues discussed in the June 17 meeting, in my June 19 letter to Mr. Johnson, in my June 19 conversation with Mr. Johnson, in the in-chambers conference with Chief

Judge Aspen on July 2, and in my July 3 letter.) Mr. Butler's July 9 letter said, inter alia:

Our first disagreement is the scope of Thursday's meeting. The prior meeting was scheduled pursuant to Judge Zagel's directive that the Horner parties meet and attempt to resolve those issues which were the subject of Habitat's Emergency Motion for Instructions. This Thursday's meeting was never intended to include broad issues such as the relationship between the CHA and the Receiver, the applicability of the Gautreaux decree to HOPE VI, and the proper use of Program 117 funds. Dan and I both told Judge Aspen that the purpose of Thursday's meeting was to continue our discussions from the prior meeting. I am sure that this is what Judge Zagel expects to happen.

I also believe that Judge Aspen expects that the issues to be discussed go beyond Horner and involve Gautreaux. At the status conference, I expressed my view that the prior meeting concerned only Horner issues, which he had expressly deferred to Judge Zagel. Dan disputed that statement and told Judge Aspen that our meeting went beyond Horner and included Gautreaux issues. Had the Judge realized that the issues on the agenda for Thursday's [July 10] meeting were in fact all Horner related, I believe he would have again deferred to Judge Zagel.

Mr. Butler continued:

Our fundamental disagreements on the Gautreaux issues identified in your letter could never be resolved though negotiation at Thursday's meeting. For these reasons, the scope of the meeting must be confined to only those issues discussed at the prior meeting.

13. In the CHA's Response to Plaintiff's Motion for Further Relief, filed March 23, 1998, the CHA took the position that Mr. Shuldiner's statements and actions on March 10, 1998 were not improper, in part, because the Court's February 23 Order on the scope of HOPE VI did not govern the assertedly separate question of whether the HOPE VI program was within the Receivership's authority. CHA's Response at 6. This position is inconsistent with the position taken by Mr. Butler in

his July 9, 1997 letter, where he asserted that the two questions were the same, and that the Receiver's authority would be decided by determining if the Gautreaux orders apply to HOPE VI:

2. Is HOPE VI within the scope of the August 14, 19[8]7 order? You correctly state the CHA's position that HOPE VI is not within the scope of Gautreaux (and therefore outside the scope of the 1987 order) If the Receiver chooses to dispute the CHA's activities regarding HOPE VI, the real issue will be the applicability of the Gautreaux orders to HOPE VI. The proper forum for the resolution of this fundamental issue is the court.

July 9, 1997 letter at 2 (emphasis added).

14. I replied by letter to Mr. Butler on July 10, 1997. A copy of the letter is attached as Exhibit 4 hereto. In my letter, I objected to limiting the July 10 meeting to Horner-related issues, and corrected a number of the inaccurate statements in Mr. Butler's letter.

15. The meeting did occur on July 10, 1997. Mr. Levin, Ms. Jarrett, Douglas R. Woodworth, and Philip Hickman attended for the Receiver. The CHA representatives included Joseph Shuldiner, Edwin Eisendrath, Mr. Johnson, and Mr. Butler. On July 11, 1997, I wrote Mr. Butler and Mr. Johnson a letter confirming what occurred at the meeting. A copy of my confirming letter is attached as Exhibit 5 hereto.

16. At the beginning of the July 10 meeting, Mr. Butler said the CHA was not prepared to discuss non-Horner issues. (In an apparent attempt to limit discussion to Horner-related issues, the CHA invited William Wilen, counsel for the plaintiff class in the Horner litigation, without informing the Receiver in advance that Mr. Wilen would

be present.) As a courtesy to Mr. Wilen and because of the CHA's refusal to discuss non-Horner related issues -- including the HOPE VI question -- we proceeded to discuss Horner-related issues.

17. Mr. Butler concluded the meeting by saying that the CHA was willing to discuss, at some future date, some, but not all, of the non-Horner issues.

18. In addition to the letter I wrote Mr. Butler and Mr. Johnson on July 11, 1997 to confirm the July 10 meeting, I wrote Mr. Butler a separate letter about HOPE VI. A copy is attached as Exhibit 6 hereto. In that letter, I quoted the Court's August 14, 1987 Receivership Order, and discussed its application to HOPE VI.

19. I also specifically objected in my July 11, 1997 letter to the CHA's submitting an application to HUD for HOPE VI funds for new housing development at ABLA II without the participation of the Receiver as a co-applicant, and I requested that the Receiver participate in any meetings on such funding.

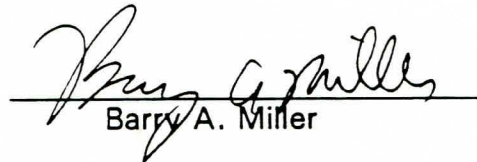
20. On July 14, 1997, I spoke with Mr. Butler and Mr. Johnson. We scheduled a meeting on July 17 to discuss additional issues.

21. During the phone conversation, Mr. Johnson told me he was drafting a letter for Mr. Butler to send me about the July 17 meeting. Mr. Johnson told me the letter would say that the CHA was willing to discuss issues relating to Habitat's costs, Habitat's resident employment program, the CHA's site selection activities, Horner finance issues, and the Receiver's "Program 117" fund at HUD, but that the CHA was

not willing to discuss HOPE VI. Mr. Johnson said that the CHA believes that HOPE VI is part of the litigation with Mr. Polikoff, and viewed the Receiver as "a non-combatant" on the issue.

22. On July 17, 1997, Mr. Butler sent me a letter concerning certain points in my letters of June 19, July 3, and July 11. In his July 17 letter, Mr. Butler repeated that the CHA would not discuss at the July 17 meeting most of the issues raised in my July 3 letter, including the HOPE VI issues. A copy of the letter is attached as Exhibit 7 hereto. (The fax legend says that seven pages were sent, but our file does not contain the seventh page.)

23. The foregoing matters are based upon my own personal knowledge except where another source is noted above, and in such cases is on information and belief; in those instances I believe the information to be true and correct. I would so testify if called as a witness.


Barry A. Miller

Subscribed and sworn to
before me this 31st day of
March, 1998.


Notary Public



MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE

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WRITER'S DIRECT LINE

759-7231

June 19, 1997

BY FAX AND MAIL

Thomas E. Johnson
Johnson, Jones, Snelling,
Gilbert & Davis, P.C.
Suite 1310
36 South Wabash Avenue
Chicago, IL 60603

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

Dear Tom:

I am writing to confirm some of the points discussed at our meeting Tuesday afternoon in Jerome Butler's office.

The meeting included a long series of discussions, principally centering on matters relating to Horner. Each side expressed its views on a number of issues. Among the points that were agreed:

1. The CHA agreed to turn over current information about occupancy at the Horner replacement housing, including the status of rental efforts. The CHA agreed to update this information on a regular (weekly) basis. Upon receiving information about which apartments have been leased, Habitat will work with the CHA to coordinate better the turnover of apartments.
2. The CHA will provide a detailed overview to Habitat about its screening process at Horner. Habitat has agreed to offer suggestions to the CHA on these issues, as appropriate.
3. The CHA offered to schedule a meeting with all its private managers, including Habitat, to discuss relevant matters.

Among the other points discussed were the following.

4. The CHA provided information about its view of the vandalism situation at Horner.
5. Habitat requested information about the status of the CHA's transitional assistance program.
6. The status of construction at Horner, particularly focusing on West of Western.
7. The CHA requested that Habitat withdraw its Emergency Motion for Instructions, or declare that its concerns were unwarranted. Habitat declined to do so and restated that it viewed its motion as proper, but said it would consider what, if any, public statement it could make.

In addition, Habitat advised the CHA that it would like to hold a separate meeting to discuss other matters, including HOPE VI funding, issues with respect to other developments, and the provision of information to Habitat under the Gautreaux Court's Order. We would appreciate it if such a meeting would be scheduled next week. Please call me with available dates and times for you, Jerome, and whoever else the CHA chooses to bring.

Sincerely,



Barry A. Miller

cc: **Jerome Butler**
Daniel Levin/Valerie Jarrett (by fax)
Michael Shakman

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WRITERS DIRECT LINE

759-7231

July 3, 1997

BY FAX AND MAIL

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36 South Wabash Avenue
Chicago, IL 60603

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

Gentlemen:

I am writing to advise you in more detail of the points Habitat would like to discuss at its meeting next Thursday at 2:30 p.m. with the CHA. Habitat hopes to use the meeting to discuss the full relationship between Habitat, as Receiver, and the CHA. Habitat wishes to explain its view of its obligations, and obtain clarification of the CHA's position.

Current issues include the following:

1. Site Selection Activities. Habitat would like to discuss whether the CHA's site selection activities for family housing development are consistent with Chief Judge Aspen's August 14, 1987 Order.

2. HOPE VI Issues. As you know, it is Habitat's view that it must participate in the application for HOPE VI funding used for family housing development (including any application the CHA is making this month), as well as the administration of any such program (including the letter we understand the CHA is planning to send to HUD in August about some of its prior HOPE VI programs). Habitat views HOPE VI as within the scope of Chief Judge Aspen's August 14, 1987 Order. The CHA does not agree. Habitat would like to discuss this general disagreement. Habitat would also like to discuss each of the developments currently being pursued under HOPE VI.

3. Cabrini-Green Area Leasing. The CHA has requested that Habitat use its Gautreaux money to arrange long-term, 40-year leases of units being built by McLean/Davis in the Mohawk North development. Habitat would like to discuss this program, so it may be resolved quickly.

4. Program 117. We have been informed that the CHA has apparently transferred \$450,000 from an account at HUD used by Habitat known as "Program 117." We have been told that the funds may have been used to repay an obligation incurred by the CHA in connection with litigation relating to a senior housing development. If that is true, we do not believe that payment from this program was appropriate.

5. CHA Information Cutoff Memo. On June 11, 1997, Mr. Butler wrote the Scattered Site Managers and directed them not to respond to any requests for information from (or to contact) Habitat until notified otherwise. You stated that a failure to comply with your direction would be considered to be a breach of the managers' contractual agreements with the CHA. We wish to discuss whether that action violates paragraph 7 of Chief Judge Aspen's August 14, 1987 Order, and whether it is consistent with working together in a cooperative manner.

6. Horner Vacancies/Occupancy. At our meeting of June 17, the CHA agreed to provide Habitat with current information about occupancy at the Horner replacement housing, including the status of rental efforts. The CHA agreed to update this information on a regular (weekly) basis. On June 24, Habitat asked Mr. Touhy for the information. He promised to send it that afternoon. Habitat is still waiting for the information.

7. Horner Screening Overview. The CHA also agreed at the June 17 meeting to provide Habitat with an overview of tenant screening at Horner. The overview has not yet been provided.

8. Private Managers' Meeting. The CHA agreed on June 17 to schedule a meeting with all its private managers, including Habitat, to discuss relevant matters. The meeting has not yet been scheduled.

9. Horner Tenant Transition Assistance. Habitat requested on June 17 to be kept abreast of any major developments in the transitional assistance program at Horner. Habitat looks forward to an update at our meeting.

10. Horner Turnover Issues. We would like to discuss the CHA's policy on acceptance of units from Habitat, and the role the HRC will continue to play in the process.

11. Horner Decree Finance Issues. There are several issues we want to address relating to interpretation of the September 1, 1995 Order Approving Amended Consent Decree entered by Judge Zagel in the Horner case concerning financing.

- a. Horner funding. Habitat is concerned as to whether the way the program has been funded is consistent with the CHA's obligations under page 35, paragraph 19 of the September 1, 1995 Order. Habitat is concerned that the "extra" \$5 million paid by HUD was intended to fulfill HUD's obligation under section 19(A)(2). We would like to discuss the application of this section. In addition, Habitat would like to know how many Section 8 units have been selected by Horner residents.
- b. Scattered Site Horner Credit. Paragraph 15, page 31 of the Horner amended decree provides that for every scattered site unit moved into by a resident of Horner (but not from the Extension), Habitat is entitled to \$109,000 reimbursement from the CHA. Habitat would like to discuss procedures for obtaining the files demonstrating the number of residents who have moved from Horner to scattered site housing, and identifying whether such residents have moved from the Extension. Habitat also would like to discuss arrangements for the payment of this compensation, so the funds can be used to build additional housing.

We would appreciate it if you would advise us of any issues the CHA would like to raise with Habitat. Habitat looks forward to hearing the CHA's views, and discussing the issues raised. We know that Habitat and the CHA have had disagreements in the past about their respective roles. Habitat still hopes it can work together with the CHA to provide housing to the people of Chicago in an effective manner, consistent with prior Court Orders and with Chief Judge Aspen's wishes, as he expressed them on July 2.

Sincerely,


Barry A. Miller

cc: Philip Hickman
Valerie Jarrett
Daniel Levin
Michael Shakman
Douglas R. Woodworth



The Chicago Housing Authority

Office of the General Counsel

BY FACSIMILE AND U.S. MAIL

Edwin Eisendrath
Chairman

Joseph Shuldiner
Executive Director

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

Ed Moses
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Director for Community
Relations & Involvement

Jerome M. Butler
General Counsel

July 9, 1997

Barry A. Miller
Miller Shakman, Hamilton, Kurtzon & Schlifke
208 S. LaSalle Street
Chicago, IL 60604

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

Dear Mr. Miller:

I am responding to your letter of July 4 to me and Tom Johnson in which you identify issues that you state you would like to discuss at Thursday's meeting. You also state that "Habitat hopes to use the meeting to discuss the full relationship between Habitat, as Receiver, and the CHA."

Our first disagreement is the scope of Thursday's meeting. The prior meeting was scheduled pursuant to Judge Zagel's directive that the Horner parties meet and attempt to resolve those issues which were the subject of Habitat's Emergency Motion for Instructions. This Thursday's meeting was never intended to include broad issues such as the relationship between the CHA and the Receiver, the applicability of the Gautreaux decree to HOPE VI, and the proper use of Program 117 funds. Dan and I both told Judge Aspen that the purpose of Thursday's meeting was to continue our discussions from the prior meeting. I am sure that this is what Judge Zagel expects to happen.

I also believe that Judge Aspen expects that the issues to be discussed go beyond Horner and involve Gautreaux. At the status conference, I expressed my view that the prior meeting concerned only Horner issues, which he had expressly deferred to Judge Zagel. Dan disputed that statement and told Judge Aspen that our meeting went beyond Horner and included Gautreaux issues. Had the Judge realized that the issues on the agenda for Thursday's meeting were in fact all Horner related, I believe he would have again deferred to Judge Zagel.

Because Judge Aspen stated that he would consider appointing a special master to mediate disputes that may not be resolved at Thursday's meeting, it is important that we be clear about what will be on the table Thursday, and what will not. I do not believe Judge Aspen expected the parties to resolve Horner issues and the fundamental issues upon which we disagree at Thursday's meeting, or face the appointment of a special master. Our fundamental disagreements on the Gautreaux issues identified in your letter could never be resolved through negotiation at Thursday's meeting. For these reasons, the scope of the meeting must be confined to only those issues discussed at the prior meeting.

It may be helpful for later discussions if I briefly respond to each of your points.

1. Are CHA's site selection activities consistent with the August 13, 1997 order? This is a very broad issue and I do not know what you are concerned about. If it is limited to the CHA's activities west of Western, that is a Horner issue, it was not discussed at our last meeting, and it should be resolved in the context of the Horner case. Furthermore, to my knowledge, CHA has not selected any sites for development of Horner replacement housing. If your concern suggests that CHA can not or should not express its preference that the development areas be expanded, we can not and will not agree.

2. Is HOPE VI within the scope of the August 14, 1997 order? You correctly state the CHA's position that HOPE VI is not within the scope of Gautreaux (and therefore outside the scope of the 1987 order), and we understand your position regarding the 1987 order. If the Receiver chooses to dispute the CHA's activities regarding HOPE VI, the real issue will be the applicability of the Gautreaux orders to HOPE VI. The proper forum for the resolution of this fundamental issue is the court.

3. Should Gautreaux money held by Habitat be used for long-term leases in the Cabrini-Green area? We agree this issue must be resolved quickly and the CHA will continue to negotiate with the Receiver. Given the time constraints, the issue requires a separate resolution by the appropriate parties. I believe that work is in progress.

4. **What are the purposes for which Program 117 funds may be used?** The proper use of **Program 117 funds** goes beyond the \$450,000 item mentioned in your letter. It is a broad issue of significant consequence on which the Receiver and the CHA have a fundamental disagreement.

5. Does my letter to the Scattered Site Managers violate paragraph 7 of the 1987 order? My letter requires that all contacts between the Managers and Habitat come through the office of the CHA's General Counsel. I do not view that as unreasonable or uncooperative conduct given the adversarial posture that the Receiver's motion has placed us in. The letter will not be rescinded.

6. 7. 8. You have properly identified these issues as having been discussed at the prior meeting. Accordingly, they are on the agenda at Thursday's meeting with one caveat:

Horner issues must be resolved between the Horner plaintiffs and the CHA - not between the CHA and Habitat. That was Judge Zagel's instruction to the Horner parties, and he explicitly excluded Habitat from the process. The CHA was willing to meet with Habitat on the Horner issues raised in its motion for instructions to provide correct information to Habitat so that it realizes that its allegation were false. In any event, we are not persuaded that a paucity of information about transitional assistance, screening, and the like impact the Receiver's ability to carry out its duties in any negative way. The CHA has no obligation in the Horner case to satisfy Habitat on Horner issues. I believe that once Judge Aspen realizes that they are Horner issues, he will not appoint a special master in the event Habitat is unsatisfied after Thursday's meeting.

9. What is CHA's policy on acceptance of Horner units from Habitat and what is the role of HRC in the process? This was not discussed at the prior meeting. It is exclusively a Horner issue, and not on the agenda for this meeting.

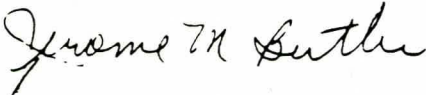
10. What is the proper interpretation of the 1995 Horner consent Decree concerning financing? This also is a new issue that relates exclusively to Horner. It will not be discussed at Thursday's meeting.

The CHA would be pleased to discuss items 9 and 10 with Habitat, but only in the context of the Horner litigation when Bill Wilen is present. The Horner issues that the CHA **would include** in such a discussion are directly related to Habitat's performance of its **obligations** at Horner, CHA has several other issues which it would be interested in **discussing with Habitat** at a future meeting. Those include **per unit cost** (which appears **excessive** in light of the absence of land acquisition costs) accounting for funds expended (particularly with regard to the 18 Lawndale units), and problems CHA is experiencing in marketing units due to design and construction which potential residents find unsatisfactory. Finally we would like to discuss Habitat's plans regarding its obligations west of Western, and its consistent failure to respond to the concerns of the Horner residents, the neighbors west of Western, and the CHA.

Page 4

If you want to schedule such a meeting the CHA would of course attend.

Very truly yours,

A handwritten signature in cursive script that reads "Jerome M. Butler".

Jerome M. Butler
General Counsel

/vog

cc: Joseph Shuldiner
Tom Johnson

TELECOPY COVER SHEET

TO: Jerome Butler

FAX: 726-6418

FROM: Barry A. Miller

DATE: July 10, 1997

Number of pages being sent (including this cover page): 4

If there is a problem with transmission of this fax, please contact (312) 759-7231.

Please see attached.

cc: Habitat
Thomas E. Johnson
Alexander Polikoff
Michael Shakman

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WRITERS DIRECT LINE

July 10, 1997

759-7231

BY FAX AND MAIL

Jerome M. Butler
General Counsel
Chicago Housing Authority
Suite 2100
200 West Adams
Chicago, IL 60606

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

Dear Mr. Butler:

I have read your letter of July 9 and am troubled both by inaccuracies in it and the attitude it reflects that seems to discourage a prompt meeting between Habitat and CHA to attempt to resolve all areas of disagreements. Instead you suggest a highly compartmentalized approach that seems calculated to defer discussion and resolution of issues at a time when there is a significant interest for all parties, including the public, in prompt problem solving.

Your statement that the purpose of the meeting we set for this afternoon was intended to be limited to Horner issues is contrary to the history of my communications with you and Tom Johnson.

At our June 17th meeting with Tom, Dan, Valerie, and others, I told you that Habitat wanted to schedule a second meeting to discuss non-Horner issues. I confirmed this in my letter to Tom of June 19th, in which I wrote:

In addition, Habitat advised the CHA that it would like to hold a separate meeting to discuss other matters, including HOPE VI funding, issues with respect to other developments, and the provision of information to Habitat under the Gautreaux Court's Order. We would appreciate it if such a meeting would be scheduled next week. Please call me with available dates and times for you, Jerome, and whoever else the CHA chooses to bring.

Jerome M. Butler

July 10, 1997

Page 2

I also spoke with Tom on June 19th, and he asked me to specify issues Habitat was interested in discussing at the next meeting. My notes reflect that I told him "HOPE VI and other non-Habitat relationship issues," and that I specifically mentioned the following:

- HOPE VI 7/97 grant.
- Cabrini funding
- Handling of surplus funds.
- Site selection activities.
- Providing information to the receiver.
- Leasing units from McLean.
- The rest of the Horner money (the disputed \$5 million.)

In addition, your description of the conference before Chief Judge Aspen last Wednesday is inaccurate. My notes confirm my recollection that I told Chief Judge Aspen that we wanted to discuss a variety of problems that had been building, and that Dan listed a number of items to discuss, including many items from my letter of July 3.

In summary, your statement that "This Thursday's meeting was never intended to include broad issues such as the relationship between the CHA and the Receiver, the applicability of the Gautreaux decree to HOPE VI, and the proper use of Program 117 funds" is flatly wrong.

Your statement that Judge Zagel explicitly excluded Habitat from resolving Horner issues, and so instructed the parties, is also incorrect. Judge Zagel made no such statement at the status in chambers, but recognized that the Receiver, while not a party, had a role to play. He clearly contemplated ongoing discussions involving the Receiver. At the June 17th meeting, we told you that Habitat did not believe it was required to participate in all discussions (such as the details of planning a transitional assistance program), but we did ask to be included in appropriate discussions, and to be kept informed of others. The CHA did not object to that statement at the June 17th meeting.

As we **have repeatedly** said, we wish to discuss all issues that Habitat as Receiver has with the CHA. **We are coming** prepared to discuss those issues.

We do not believe all of the Horner issues and the Gautreaux issues can be neatly separated. (Indeed, Chief Judge Aspen's Order of June 10 recognized the overlap.) For example, your failure freely to provide information to Habitat implicates both cases. We see no reason

Jerome M. Butler

July 10, 1997

Page 3

why all of the issues cannot be discussed now, with the recognition that Mr. Polikoff and/or Mr. Wilen may appropriately be involved in later discussions.^{1/}

We hope we can agree on the manner of resolving many of the issues we (and you) have identified. If you are not willing to discuss any particular issue, we cannot make you do so. We will, of course, note your position in our report to the Courts.

Sincerely,



Barry A. Miller

cc: Philip Hickman
Valerie Jarrett
Thomas Johnson
Daniel Levin
Alexander Polikoff
Michael Shakman
Douglas R. Woodworth

^{1/} Indeed, Tom Johnson made a similar point at the June 17th meeting, when he noted that the CHA was involved in overlapping circles of discussions, and that not all parties needed to be included at each discussion.

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attorneys and counselors

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TELECOPY COVER SHEET

TO: Jerome Butler FAX: 726-6418
TO: Thomas E. Johnson FAX: 422-0708

FROM: Barry A. Miller

DATE: July 11, 1997

Number of pages being sent (including this cover page): 5

If there is a problem with transmission of this fax, please contact (312) 759-7231.

Please see attached.

cc: Daniel Levin 527-7440
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July 11, 1997

759-7231

BY FAX AND MAIL

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Suite 1310
36 South Wabash Avenue
Chicago, IL 60603

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

Gentlemen:

I am writing to confirm certain agreements reached at our meeting yesterday. A number of CHA representatives were present, including each of you and Mr. Shuldiner and Mr. Eisendrath. Habitat representatives present were Mr. Levin, Mr. Hickman, Ms. Jarrett, Mr. Woodworth, and counsel. You also invited Mr. Wilen to attend.

At the beginning of the meeting, Mr. Butler stated that the CHA was not prepared to discuss non-Horner matters. I said that the meeting had been scheduled to discuss both Horner and non-Horner issues, and that Habitat was prepared to discuss both. As a courtesy to Mr. Wilen (whose presence was not appropriate for the non-Horner issues),^{1/} and given the CHA's unwillingness to discuss non-Horner issues, we discussed certain of the Horner issues included in my letters to you of June 19 and July 3.

^{1/} While Habitat has no objection to discussing Horner issues with Mr. Wilen, inviting him without telling us was inappropriate. As Tom Johnson and I had discussed prior to the June 17th meeting, there is value in discussing these issues separately before having a general discussion. (Indeed, we had already called Mr. Wilen to schedule a meeting before his unannounced attendance at the meeting yesterday.) The circumstances suggest that the CHA's invitation to Mr. Wilen was another way to avoid discussing the non-Horner issues yesterday.

We discussed points 5-7 and 9-10 in my letter of July 3. On these points, the following summarizes our discussions:

5. CHA Information Cutoff Memo. The Receiver expressed his view that the CHA has acted improperly, in violation of Chief Judge Aspen's Order, in requiring that all communications be conducted through Mr. Butler's office. The CHA stated that in view of the pendency of the Receiver's Emergency Motion for Instructions, the CHA wanted all communications to go through counsel. While the Receiver disagrees, and without waiving any of his rights, he will communicate his requests through Mr. Butler (except for requests made at the weekly Tuesday meeting).

6. Horner Vacancies/Occupancy. The Receiver explained how information about vacancies and occupancy is necessary for preparing reports to HUD, and for expediting the completion of units that have been rented. In the past, the Receiver obtained this information directly from private managers, but the CHA has now cut off those contacts. On June 17, the CHA had agreed to provide the Receiver with copies of its reports, but had not done so. Mr. Wilen expressed concern about providing certain confidential tenant information to the Receiver. The CHA agreed to provide certain information in writing, updated in writing on a weekly basis at the regular Tuesday meetings with Habitat, the CHA, and Mr. Wilen. The information consists of the date of occupancy of each unit, whether an unoccupied unit has been leased, the move-in date, if available, and the tenant's income category.

7. Horner Screening Overview. My July 3 letter suggested that no overview had been given. We agreed that was inaccurate, and that the general procedures had been described. On June 17, the Receiver had requested more detailed information about how the procedures were being implemented, and by whom. The Receiver also requested data on the process. The Receiver requested the opportunity to discuss certain aspects of the screening with the people conducting it, including the Eastlake management group, and explained why it viewed the information as important to the Receiver's duties. CHA agreed to provide data on a trial basis, and would consider providing additional and/or updated information. The CHA will consider responding to specific questions on an ongoing basis.

9. Horner Tenant Transition Assistance. The CHA provided a general update of the status of discussions on transition assistance. The CHA advised the Receiver that no program has yet been agreed upon, but discussions with Mr. Wilen and Mr. Gates are continuing. The Receiver requested continuing updates.

10. Horner Turnover Issues. We discussed the policies and certain issues involved in the turnover of units at Horner. Various issues were discussed.^{2/} The Receiver requested that the extent of issues about completed units not be exaggerated. Mr. Wilen said he felt certain issues (with some but not all of Habitat's contractors) had not been promptly resolved in the past. Mr. Levin requested that if any of the issues are not promptly resolved, Mr. Wilen or Mr. Shuldiner should feel free to call Mr. Levin, Ms. Jarrett, Mr. Hickman, or Mr. Woodworth.

The CHA also raised several issues with Habitat:

A. The CHA asked the Receiver for documents showing the cost of development and construction at Horner. The Receiver agreed to provide the CHA the information that has been provided to HUD. If the CHA is interested in additional information or explanations, it may request that from the Receiver.

B. The Receiver also agreed to provide information about the "Section 3" "step-up" employment program for Horner residents with Habitat contractors.

C. Mr. Shuldiner said he was told by Tom Finnerty and Mamie Bone that there were better-designed units being built in the neighborhood for less than the Receiver's cost, and that the Receiver had refused to discuss this. The Habitat representatives said they had never heard that claim.^{3/} The CHA and/or Mr. Wilen will provide more information to the Receiver about this matter.

^{2/} Mr. Touhy said at the meeting that Habitat had agreed in writing that the CHA could reject units for excessive punchlist items. I am not aware of such a document. I am aware of a field agreement between CHA staff and Habitat staff concerning the MCL units at Horner, where delays in the completion of the punchlist by the contractor were encountered. In that case, the CHA took the position that it would not accept the transfer of future units if there were any punchlist items. Despite the language of the Court's Order, Habitat agreed with the CHA that for that one contractor, because of the history of delayed completion of the punchlist, both the CHA and Habitat would take a "zero tolerance" approach with MCL, even though a certificate of occupancy had been received from the City and none of the punchlist items were code violations. If Mr. Touhy has information that is different from the above, please let me know.

^{3/} The Receiver recognizes that housing built without union or Davis-Bacon labor, HUD administrative costs, and the Section 3 program, among other factors, will cost less. In addition, other housing may not have comparable design features, space, or amenities.

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE
Jerome M. Butler
Thomas E. Johnson
July 11, 1997
Page 4

D. The CHA claimed that the Receiver had not given it sufficient opportunity to comment on design points and that some of the design choices had complicated maintenance issues for the CHA. Mr. Hickman of Habitat responded that the designs had been cleared with CHA, and that certain points raised by the CHA were taken up with the contractors, and subsequent contracts have been changed. The Receiver is willing to have a separate meeting with Andy Rodriguez and other CHA representatives to discuss these issues. Mr. Shuldiner stated that he had never challenged the Receiver's competence to build units.

E. The CHA requested that the Receiver withdraw the pending Emergency Motion. The Receiver joins in the hope expressed by Mr. Shuldiner that all parties want the development to be an outstanding success. Nevertheless, the Receiver believes that the motion should remain pending until the Receiver determines that the issues that led to the motion have been adequately addressed.

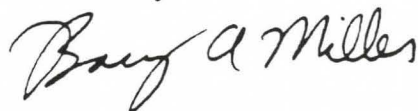
The Receiver is willing to see if the information to be provided by CHA and the other steps described above resolves its concerns, try the above as interim steps, but reserves its rights to seek additional relief, whether by discussions with the CHA or from the Court (including the possibility of appointing a special master for mediation) if the steps described above are not adequate. It remains to be seen whether these steps will resolve the issues between the parties.

Mr. Butler concluded by stating that, in light of pending motions, the CHA was willing to discuss some but not all of the non-Horner issues in a separate meeting. Mr. Butler said that meeting could be scheduled after Mr. Butler wrote a letter to Habitat setting forth the CHA's position. Mr. Butler said he would send the letter by the middle of the week of the 14th. We continue to want such a meeting as soon as possible.

We were pleased that all parties agreed to try to avoid personalizing issues, and to attempt to discuss them with each other where possible.

Please call if you have any questions.

Sincerely,



Barry A. Miller

cc: Daniel Levin/Habitat
Alexander Polikoff
Michael Shakman
William Wilen

Miller, Shakman, Hamilton, Kurtzon & Schlifke
attorneys and counselors

208 South LaSalle Street
Chicago, Illinois 60604
Telephone (312) 263-3700
Facsimile (312) 263-3270

TELECOPY COVER SHEET

TO: Jerome Butler

FAX: 726-6418

FROM: Barry A. Miller

DATE: July 11, 1997

Number of pages being sent (including this cover page): 3

If there is a problem with transmission of this fax, please contact (312) 759-7212.

Please see attached.

cc: Thomas E. Johnson
Daniel Levin
Alexander Polikoff
Michael Shakman

422-0708
527-7440
641-5454

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE
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OF COUNSEL
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DAVID J. KRUPP
MAURICE ROSENFELD
STANTON SCHUMAN

WRITER'S DIRECT LINE

July 11, 1997

759-7231

BY FAX AND MAIL

Jerome M. Butler
General Counsel
Chicago Housing Authority
Suite 2100
200 West Adams
Chicago, IL 60606

Re: Gautreaux v. CHA, No. 66 C 1459, 66 C 1460

Dear Mr. Butler:

When we met yesterday, you said that the CHA was not prepared to discuss any of the non-Horner issues raised in my letters of June 19 and July 3. You said that you would write by the middle of next week to state the CHA's views on some of these issues, and indicate when you would be willing to meet to discuss those issues the CHA is willing to discuss.

One of the issues that Habitat wished to discuss yesterday (and about which you were not willing to proceed) was the responsibility for HOPE VI development funds. Chief Judge Aspen's 1987 Order appointing the Receiver gave the Receiver all responsibility of the CHA for development of the "scattered site program." Paragraph (C) of that Order stated:

(C) For purposes of this Order the "scattered site program" shall mean (i) the buildings and vacant sites listed in Exhibit A attached hereto (collectively, the "Uncompleted Units") and (ii) the CHA development Programs numbered IL 2-096, IL 2-098, IL 2-103 through IL 2-109, and IL 2-113 (excluding any completed buildings in such programs) and all CHA non-elderly public housing development programs which may in the future be authorized by HUD during the pendency of Civil Action No. 66-1459. [Emphasis added.]

As you know, the Receiver believes that to the extent the CHA is using HOPE VI funding to develop family public housing units, it is a "CHA non-elderly public housing development program[]" which has been "authorized by HUD during the pendency of Civil Action No. 66-1459." Since the development of any public non-elderly housing under the

July 11, 1997

Page 2

HOPE VI program is the responsibility of the Receiver, the August 14, 1987 Order provides that Mr. Levin and Habitat, as Receiver, have all powers of the CHA respecting the family housing development component of HOPE VI, including (but not limited to):

- Developing and administering the family housing development component of the HOPE VI program.
- Making all determinations governing the program.
- Making all submissions to HUD of applications for funding and other documents.
- Site selection and acquisition (including policies respecting the location of sites and buildings to be acquired).
- Relocation of occupants, when necessary.
- Construction of dwelling units, and the designs and specifications therefor.
- Negotiating and executing any contracts or other documents.

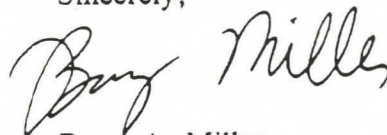
Since HOPE VI funds can also be used for purposes not involving the development of family housing, the Receiver recognizes that in such cases it is necessary that the Receiver be a co-applicant with the CHA for HOPE VI funds, and that both parties must work together to obtain and use such funds.

We understand that the CHA may be planning to make an application for HOPE VI funds next week without including the Receiver as a co-applicant. This letter is written to inform you that the Receiver views that action as inconsistent with Chief Judge Aspen's 1987 Order.

In addition, we have been advised that you are holding a meeting on HOPE VI funding for ABLA development next week. Again, the Receiver continues to believe that any such meeting should be organized with and include the Receiver.

Please advise us immediately of your intention on these points. Naturally, the Receiver reserves all **his rights** in this matter.

Sincerely,



Barry A. Miller

cc: Thomas Johnson
Daniel Levin/Habitat
Alexander Polikoff
Michael Shakman



The Chicago Housing Authority
Office of the General Counsel

Edwin Eisendrath
Chairman

Joseph Shulman
Executive Director

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

Ed Moses
Deputy Executive
Director for Community
Relations & Involvement

Jerome M. Butler
General Counsel

Via U.S. Mail and Facsimile

July 17, 1997

Mr. Barry Miller
Miller, Shakman, Hamilton,
Kurtzon & Schlifke
208 S. LaSalle Street
Chicago, IL 60604

RE: Horner

Dear Mr. Miller:

I am in receipt of your July 11, 1997 letter purporting to summarize what transpired at our July 10, 1997 meeting. Like your earlier letters of July 3, 1997 and June 19, 1997 purporting to summarize our meeting of June 17, 1997, the letter is not an accurate summary of what transpired or what CHA agreed to do. Instead, it appears to be an attempt to create a one-sided written record to be used against CHA in the pending legal proceeding the Receiver has brought, or some future legal proceeding the Receiver intends to bring.

There are many inaccuracies, but let me set out some examples:

1. CHA did not seek "to avoid discussing the non-Horner issues" raised in your July 3, 1997 letter. Our original June 17, 1997 meeting dealt solely with Horner issues. It followed immediately our June 13, 1997 conference with Judge Zagel, at which the same issues were raised and discussed and at which we promised to continue our long-standing dialogue with the Receiver on Horner issues (which has gone on weekly for many months). When you opted for a subsequent meeting, you asked to talk further about Horner issues as well as some non-Horner issues. On the eve of the July 4 holiday, you sent us a letter substantially expanding the list of issues to be discussed. CHA has always been willing to talk about those non-Horner issues that are not the current subject of threatened or actual litigation with other parties, but the various issues you raised on July 3rd involve various groups of people (inside and outside of CHA), so we felt it would be

best to talk Horner issues first and other issues later. We did invite Mr. Wilen to our meeting because his clients are directly impacted by the issues you raised. To be sure, Mr. Wilen was not at our June 17, 1997 Horner meeting, but subsequently we discussed with him the vacancy report you sought at that June 17th meeting. He objected and we thought it would be helpful to have him present his objections directly to you. The other Horner issues you raised were also ones where CHA could not agree with the Receiver without Mr. Wilen's agreement and therefore to expedite the process, we felt his presence would be helpful, as indeed proved to be the case.

2. Your summary of our discussion about my memorandum requesting that you communicate with private managers and CHA staff through my office (other than in the context of the weekly Tuesday meeting) was woefully inadequate. For example, you fail to point out that your objection to this memorandum was that it would make communication cumbersome but since the memorandum was issued, the Receiver has never once asked me for information. So, there is no way for your to conclude that CHA's policy is in any way cumbersome, or violative of the Receivership Order.

3. With respect to the vacancy reports, you suggest that CHA has "cut off" communication with private managers about scattered-site vacancies. That is plainly not true. We only expect that you will go through my office in order to get accurate information. As we discussed and agreed at the June 17, 1997 meeting, the Receiver's past attempts to informally survey all of our private managers have led to inaccurate and incomplete information. Indeed, the scattered-site vacancy data the Receiver had prepared for use in court was not correct or complete.

4. Insofar as vacancy reports at the Horner site are concerned, we have agreed to provide that data in the form you indicate. Your statement that we failed to provide this information earlier is another inaccuracy. Mr. Wilen objected to our provision of the information as described on June 17th. We were, however, able to provide the data in the modified form discussed on July 10th, and obtained Mr. Wilen's agreement on July 10th.

5. The Horner screening process for both low- and very low-income families was described in great detail for you on June 17, 1997. It is inaccurate to say that only general procedures had been discussed. The issue here is whether the Receiver can review the credentials of East Lake Management's housekeeping inspectors and whether Habitat can accompany them as they perform this (and perhaps other) management functions. I would like to make it quite clear that while Habitat sought the management contract for Horner, Pinnacle and East Lake scored better in the competitive bidding. The contract is now with East Lake and neither the CHA nor East Lake find it the Receiver's responsibility to review or second guess the management company's performance. Out of courtesy, we will, however, talk with East Lake about a meeting on housekeeping solely so that the Receiver can answer questions raised by community residents (e.g., those who live west of Wester) about CHA housekeeping inspections — though our representatives at the west of Western meetings have never heard such questions raised to date.

6. CHA agreed to provide summary information about the screening process on a one-time basis to see if the material is helpful. Habitat would not identify the format it wanted for such a report, so CHA will design the format and thereafter we will see if modifications to the format are appropriate and if these reports are really critical to the Receiver's functions.

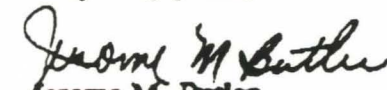
7. On transitional assistance, CHA fully briefed the Receiver at the June 17th meeting as to where matters stood. We talked further about Mr. Gates' proposals at the July 10th meeting. We are not aware of any information not provided the Receiver at this point, but more importantly, CHA wishes to make clear that the design of the transitional assistance program does not relate in any way to the Receiver's court-ordered functions.

8. As to the unit turnover process, the agreement was that the HRC would continue to inspect all units at the point of turnover. CHA would work with both Habitat and the HRC to ensure that the units are safe and consistent with plans and specifications prior to tenant occupancy. Habitat expressly indicated that the process of unit turnover should remain as it has been. CHA and the HRC were quite specific about the numerous problems thus far encountered with the units, and the difficulties encountered in obtaining additional work from Habitat. CHA and the HRC made it clear that they would continue to raise these issues with Mr. Levin, Ms. Jarrett, Mr. Hickman, and Mr. Woodworth, as they have been doing since the first units were turned over last year at 2208-2210 W. Jackson.

9. Insofar as punch list items are concerned, your letter does indicate that a field agreement was reached with Habitat on the MCL units in which we declined turnover until the punch lists were completed on account of chronic and recurrent punch list issues. In addition, as Mr. Tubey indicated at the meeting, Habitat has told us that units from its other contractors can be refused for excessive punch list items. I attach a copy of Mr. Woodworth's December 16, 1996 letter to Alex Polikoff with Habitat's Transfer Scheduling and Responsibilities rules which include the provision Mr. Tubey mentioned.

This letter will confirm our meeting set for 3:30 p.m. on July 17, 1997 in Joe Shuldiner's office, at which time we will be prepared to discuss items 1, 3, 4 and 11 listed in your July 3, 1997 letter. We will not discuss item 2, as that is a matter between CHA and Mr. Polikoff, currently being litigated in Gautreaux. On July 17, 1997, CHA would like to receive the information promised (perhaps with an explanation) on the cost of developing the units to date and the Section 3 employment program.

Very truly yours,


Jerome M. Butler
General Counsel

/vog

cc: Joseph Shuldiner
Edwin Eisendrath
Susan Getzendanner
Tom Johnson

PAGE 17

THE HABITAT COMPANY

December 16, 1996

Mr. Alexander Polikoff
Business and Professional People
for the Public Interest
17 East Monroe Street
Suite 212
Chicago, Illinois 60603

Re: Horner Replacement Housing / Transfer Scheduling and Responsibilities

Dear Alex:

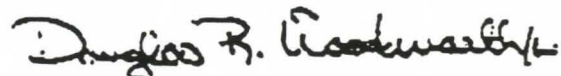
In our recent meeting on the Horner Replacement Housing, one of the items we discussed was the transition procedure for the turnover of units from construction and Habitat to CHA and Pinnacle. Enclosed is a copy of the proposed Transfer Scheduling and Responsibilities. By copy of this letter, I am also sending a copy to Ernest Gates of Near West, Andy Rodriguez at CHA, Pam Gecan of AMS, and Theodore Pendleton at Pinnacle. We hope that we will be kept apprised of any difficulties in the transition process.

The first group of 20 units is scheduled to be available January 6, subject only to permanent power from Commonwealth Edison and occupancy certificates from the City.

We would also appreciate being kept informed on how unit design and construction are working and whether there should be any changes to the balance of the development program as a result of everyone's actual experience.

Sincerely,

THE HABITAT COMPANY



Douglas R. Woodworth
President

DRW:lw
Enclosure

cc: Daniel Levin
Valerie Jarrett
Philip Hickman
Matthew Nelson
Brenda Coleman
Chris Rintz

THE HABITAT COMPANY

Replacement Housing Program - Horner Superblock Program 184SB.B1

TRANSFER SCHEDULING PROCEDURES

The Developer/Contractor (New England Builders) is bound by the transfer notification requirements of the RFP which states: The Habitat Company ("Habitat") must have written notification 45 days prior to each estimated transfer. It is the responsibility of New England Builders to notify Habitat in writing regarding changes to the transfer schedule.

Habitat prepares a transfer schedule at the commencement of construction for a program and updates said schedule every thirty (30) days subsequent. This schedule is provided to the Manager (Pinnacle) and CHA. The transfer schedule includes site information pertaining to HUD Turnkey Program IL06-P802-184SB.B1, such as: the number of units, handicapped accessible/visually impaired unit locations, and estimated and/or actual punchlist and transfer dates. The coordinators for each of the responsible parties assigned to the project is also indicated.

Upon receipt of written notification of a schedule modification from the contractor, Habitat revises the transfer dates and forwards the updated schedule to Pinnacle and CHA.

Revisions to the estimated transfer shall be handled as follows:

- **Between 45 Days and 14 Days Prior to Transfer**

The schedule may be moved back with no penalty - upon written notification from New England Builders, via facsimile and mail.

- **Between 13 Days to 7 Days Prior to Transfer**

The schedule may be moved back upon written notification from New England Builders, via facsimile and mail. However, the proposed new transfer date must be acceptable to Habitat and Pinnacle. Any costs associated with the tenants' need for temporary housing and/or storage will be charged to New England Builders.

- **Between 6 Days to 0 Days Prior to Transfer**

If the schedule must be moved back, New England Builders must submit written notification as to when the transfer may occur. Pinnacle, however, will be able to dictate when the transfer actually will occur (within seven (7) days after the previous transfer date). Any costs associated with the tenants' need for temporary housing and/or storage will be charged to New England Builders.

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

DOROTHY GAUTREAUX, et al.,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	No. 66 C 1459
	)	
CHICAGO HOUSING AUTHORITY,	)	Chief Judge Aspen
	)	
Defendant.	)	

AFFIDAVIT OF MICHAEL L. SHAKMAN

Michael L. Shakman, having first been sworn upon oath, states as follows:

1. I am a partner in the firm of Miller, Shakman, Hamilton, Kurtzon & Schlifke, and am a member of the Illinois bar and of the bar of this Court. I am also one of the attorneys for Daniel E. Levin and The Habitat Company as Receiver in this case.

2. On April 14, 1998 I spoke by telephone with Janet L. Elson, an attorney in the Office of Counsel of the U.S. Department of Housing and Urban Development in Chicago.

3. Ms. Elson is identified as the person to contact in the letters of November 10, 1997 and January 6, 1998 from HUD to the CHA that are attached to the CHA's Motion For Leave to File Instant Chicago Housing Authority's Reply to Receiver's Response to CHA's Motion to Strike and Plaintiffs' Response to CHA Motion to Strike Exhibits. In addition, from my prior conversations with Ms. Elson and John Jensen,

the HUD attorney who has represented HUD in this case, I was aware that Ms. Elson is the attorney in the Chicago office of HUD who processes amendments to the Consolidated Annual Contributions Contracts by which HUD provides funding to the CHA and the Receiver.

4. To confirm the information provided by Ms. Elson, I wrote the letter to her of April 15, 1998 that is attached hereto as Exhibit A. That letter accurately states the information Ms. Elson provided to me on April 14, 1998.

5. The information Ms. Elson provided establishes the following:

A. Because of CHA non-approval of HUD amendments submitted to the CHA, as of April 14, 1998, HUD has not effected transfers of \$7,100,842 (including a transfer of \$4,834,782 that is solely for HUD's internal purposes).

B. CHA had apparently approved transfers of \$422,074 (Amendment 95) and \$20,000 (Amendment 40), but these funds could not be transferred by HUD because of CHA's failure to approve other transfers with which these amounts were linked.

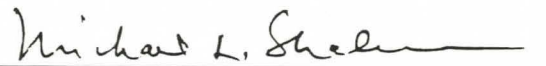
C. On March 31, 1998 Ms. Elson and Mr. Jensen informed me that \$7,086,048 in transfers had been blocked by the CHA's failure to provide approvals.

D. Neither the \$7,100,842 blocked as of April 14, 1998 nor the \$7,086,048 that Ms. Elson and Mr. Jensen told me was blocked as of March 31, 1998 include the amounts that were the subject of the letters of November 10, 1997 and January 6, 1998 that are attached to the CHA's Reply. As those letters reflect, they related to CHA approval of Amendments 36, 37, 38 and 92. The amendments

that Ms. Elson and Mr. Jensen informed me were blocked as of March 31, 1998 and April 14, 1998 did not include those amendments.^{1/}

E. All of the blocked funds relate to the Receiver's activities in developing new housing for CHA residents except for the internal bookkeeping transfer sought by HUD and the \$20,000 in compensation for the Court's special masters.

6. The foregoing matters are true of my own knowledge except in the case of information described above that was provided to me by Mr. Jensen and Ms. Elson, which is accurately stated and I believe to be true.


Michael L. Shakman

SUBSCRIBED AND SWORN to
before me this 15th day
of April, 1998.


Notary Public


^{1/} I also wish to correct another error in the CHA's Reply. At page 11 the CHA inaccurately quotes the Court as stating in the July 2, 1997 conference that it would never grant a motion to vacate the Gautreaux decree in its entirety. I was present at that conference. The statement attributed to the Court is not correct. In substance the Court responded to a statement by counsel for the CHA suggesting that the Gautreaux case was no longer pertinent. The Court responded that in its view the case remained relevant and a motion to end the case would be denied at this time.

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE

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TELEPHONE (312) 263-3700

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OF COUNSEL

THEODORE BERGER
DAVID J. KRUPP
MAURICE ROSENFELD
STANTON SCHUMAN

WRITER'S DIRECT LINE

April 15, 1998

By Fax

Janet L. Elson
Office of Counsel
U.S. Department of Housing
and Urban Development
77 West Jackson Blvd
26th Floor
Chicago, Illinois 60604

Dear Jan:

I'm writing to confirm the information you gave me yesterday concerning those HUD Annual Contributions Contract amendments relating to the CHA and the Gautreaux Receiver that remain unapproved by CHA. They are as follows:

Amendment 39 and 94: These two amendments are for approximately \$396,576 (No. 39) and \$106,590 (No. 94). These are paired for processing purposes. These relate to housing construction that are the Receiver's responsibility. CHA has not approved these requests, which HUD sent to the CHA on November 13, 1997.

Amendment 95: This Amendment is for \$422,074 for a demonstration project being constructed by the Receiver. The CHA transmitted its approval of this Amendment to HUD on April 8, 1998. HUD sent this amendment to the CHA on December 15, 1997. You wrote the CHA on April 9, that its approval of this Amendment had no practical effect because you cannot process Amendment 95 without CHA approval of Amendments 39 and 94, with which it is linked.

Amendment 96: This Amendment is to reconfigure the accounts used for portions of the Washington Park project being built by the Receiver. It would transfer \$1,303,026 from HUD account 117 to account 207. This amendment also adds \$3,000 to account 184 for construction by the Receiver. In addition, solely as a bookkeeping matter for HUD's convenience, this

EXHIBIT A

Janet L. Elson

Page 2

April 15, 1998

Amendment transfers \$4,834,782 that HUD had allocated to account 104 in the late 1970's or early 1980's to HUD account number 123. The money involved was expended by CHA (without producing any housing) in the late 1970's or early 1980s. This transfer has no substantive effect since there are no moneys being transferred, only an accounting adjustment on HUD's books. CHA's failure to approve this transfer is holding up the funding for the Washington Park project. HUD sent this amendment to the CHA for approval on December 17, 1997

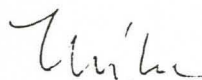
Amendment 40: This Amendment moves \$20,000 from HUD account 117 to account 188 to pay the Court's special masters. You have been informed by CHA that it has approved this amount. You have informed the CHA that its approval of this amendment is also ineffective without approval of Amendment 39 since you cannot process Amendment 40 until 39 is approved and processed. As you noted, Amendments 39 and 94 are linked for approval purposes.

Amendment 42: This Amendment transfers \$14,794 from HUD account 117 to account 128 to pay the Receiver additional costs incurred.

You also confirmed that as of two weeks ago (i.e. March 31, 1998) your understanding was that \$7,086,048 in Amendments 39, 40, 41, 94, 95 and 96 remained unapproved by the CHA or, as noted above in the case of amendments that are linked to other amendments, could not be disbursed because of the CHA's failure to approve the linked amendments. In our phone conversation on March 31, you and John Jensen advised me of the \$7,086,048 total that could not be transferred because of the CHA's non-approval.

Thank you for providing this information.

Sincerely,



Michael L. Shakman

cc: Jerome Butler
Susan Getzendanner
Nancy S. Eisenhower
Alexander Polikoff

CERTIFICATE OF SERVICE

The undersigned, an attorney, hereby certified that he caused copies of the foregoing Receiver's Motion for Leave To File Additional Information To Correct The Record to be delivered to:

Alex Polikoff
Business and Professional People
for the Public Interest
17 E. Monroe St., Suite 212
Chicago, IL 60603

John Jensen
Associate Regional Counsel
U.S. Department of Housing
and Urban Development
77 W. Jackson Blvd.
Suite 2620
Chicago, IL 60604

Susan Getzendanner
Skadden, Arps, Slate,
Meagher & Flom (Illinois)
333 W. Wacker Dr., Suite 2100
Chicago, IL 60606

Linda Wawzenski
Assistant U.S. Attorney and
Deputy Chief Civil Division
219 S. Dearborn St., Suite 500
Chicago, IL 60604

this 15th day of April, 1998.



Michael L. Shakman

UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS

Name of Assigned Judge or Magistrate Judge	Hon. Marvin E. Aspen	Sitting Judge if Other Than Assigned Judge	
Case Number	66 C 1459	Date	4/17/98
Case Title	Gautreaux et al. v. Chicago Housing Authority		

[In the following box (a) indicate the party filing the motion, e.g., plaintiff, defendant, 3rd party plaintiff, and (b) state briefly the nature of the motion being presented.]

MOTION:

Receiver's Motion for Leave to File Additional Information to Correct the Record

DOCKET ENTRY:

(1)	☐	Filed motion of [use listing in "MOTION" box above]
(2)	☐	Brief in support of motion due _____
(3)	☐	Answer brief to motion due _____ Reply to answer brief due _____
(4)	☐	☐ Ruling on _____ set for _____ at _____ ☐ Hearing
(5)	☐	Status hearing ☐ held ☐ continued to ☐ set for ☐ re-set for _____ at _____
(6)	☐	Pretrial conf. ☐ held ☐ continued to ☐ set for ☐ re-set for _____ at _____
(7)	☐	Trial ☐ Set for ☐ re-set for _____ at _____
(8)	☐	☐ Bench Trial ☐ Jury Trial ☐ Hearing held and continued to _____ at _____
(9)	☐	This case is dismissed ☐ without ☐ with prejudice and without costs ☐ by agreement ☐ pursuant to ☐ FRCP 4(j) (failure to serve) ☐ General Rule 21 (want of prosecution) ☐ FRCP 41(a)(1) ☐ FRCP 41(a)(2)
(10)	☐	[Other docket entry]
(11)	☐	[For further detail see ☐ order on the reverse of ☐ order attached to the original minute order form]

☐	No notices required, advised in open court.			number of notices	Document #
☐	No notices required.			date docketed	
☐	Notices mailed by judge's staff.			docketing dpty. initials	
☐	Notified counsel by telephone.			date mailed notice	
☐	Docketing to mail notices.			mailing dpty. initials	
☐	Mail AO 450 form.				
☐	Copy to judge/magistrate Judge.				
☐	courtroom deputy's Initials	Date/time received in central Clerk's Office			

Funding Availability for Revitalization of Severely Distressed Public Housing (HOPE VI Revitalization)

Program Description: Approximately \$41 million is available in funding for the Revitalization of Severely Distressed Public Housing (the "HOPE VI Revitalization Program"), as provided in the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998. The continued funding of the HOPE VI Program is to enable revitalization and transformation of the physical site of severely distressed public housing developments and the social dynamics of life for low-income residents at that site, or in any off-site replacement housing.

Application Due Date: Applications must be received at HUD Headquarters on or before 12:00 pm, Eastern time on June 29, 1998, at HUD Headquarters. See the General Section of this SuperNOFA for specific procedures governing the form of application of submission (e.g., mailed applications, express mail, overnight delivery, or hand carried).

Addresses for Submitting Applications: One copy of the completed application must be received at HUD Headquarters, 451 Seventh Street, SW, Room 4138, Washington, DC 20410. Attention: Deputy Assistant Secretary for Public Housing Investments. In addition, two copies of the completed application also must be received at the appropriate HUD Field Office HUB.

For Application Kits. Further Information. Technical Assistance:

For Application Kits. A copy of the application kit will be mailed to every eligible PHA. Application kits and any supplementary information also may be obtained by contacting the SuperNOFA Information Center at 1-800-HUD-8929. Persons with hearing or speech impairments may call the Center's TTY number at 1-800-483-2209. The application kit also will be available on the Internet through the HUD web site at <http://www.HUD.gov>. When requesting an application kit, please refer to HOPE VI and provide your name, address (including zip code), and telephone number (including area code).

For Further Information and Technical Assistance. For answers to your questions, you may call Mr. Milan Ozdinec, Director, Office of Urban Revitalization, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 4142, Washington, DC 20410; telephone (202) 401-8812 (this is not a toll free number). Persons with hearing or speech impairments may

access this number via TTY by calling the Federal Information Relay Service at 1-800-877-8399.

I. Additional Information

(A) Authority

The funding for HOPE VI Revitalization grants under this SuperNOFA is provided by the FY 1998 HUD Appropriations Act under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)."

(B) Purpose

The purpose of the HOPE VI Program is to enable revitalization and transformation of the physical site of severely distressed public housing developments and the social dynamics of life for low-income residents at that site, or in any off-site replacement housing. The HOPE VI Revitalization Program provides for grants to public housing agencies to assist in:

(1) The demolition of severely distressed public housing projects or portions of these projects;

(2) The revitalization (where appropriate) of sites (including remaining public housing units) on which such projects are located;

(3) The provision of replacement housing which will avoid or lessen concentration of very low-income families;

(4) Tenant-based assistance in accordance with section 8 of the U.S. Housing Act of 1937;

(5) Assisting tenants displaced by demolition.

The FY 1998 HOPE VI appropriation also provides for grant funds to be used for the demolition of severely distressed elderly public housing projects and the replacement, where appropriate, and revitalization of the elderly public housing as new communities for the elderly designed to meet the special needs and physical requirements of the elderly.

(C) Amount Allocated

(1) **Revitalization grants.** Approximately \$416 million of the FY 1998 HOPE VI appropriation has been allocated to fund HOPE VI Revitalization grants.

(2) **Elderly Housing grants.** In accordance with the FY 1998 HUD Appropriations Act, \$26 million of the HOPE VI appropriation has been allocated to fund projects proposing demolition of severely distressed elderly public housing projects and the replacement, where appropriate, and revitalization of the elderly public housing as new communities for the elderly designed to meet the special

needs and physical requirements of the elderly.

(a) Targeted developments may be either:

(i) Housing designated for the elderly, persons with disabilities, or mixed-populations, in accordance with section 7 of the U.S. Housing Act of 1937; or

(ii) Projects of a PHA designated as elderly by HUD in accordance with requirements in effect prior to enactment of the Housing and Community Development Act of 1992.

(iii) A PHA may, after revitalization, designate the targeted development through a HUD-Approved allocation plan.

(b) Applications targeting elderly developments will be rated in a separate competition, and will be ranked only with other elderly applications.

(c) Of the \$26 million made available for elderly housing, the FY 1998 HUD Appropriation Act included up to \$10 million for Heritage House in Kansas City, Missouri. HUD awarded \$6,570,500 to Heritage House under the FY 1997 HOPE VI NOFA, therefore the full \$10 million will not be needed. After funding the needs of Heritage House, the balance of the \$10 million set-aside will be made available for Elderly Housing grants eligible for funding under this SuperNOFA.

(3) **HOPE VI Demolition-Only Grants.** Up to \$60 million in HOPE VI funds will be made available for the demolition of obsolete public housing without revitalization. Those funds will be distributed through a separate NOFA.

(4) **Section 8.** Up to \$91 million (approximately 10,000 units) has been allocated for Section 8 tenant-based certificates and vouchers for public housing relocation or public housing replacement (including units selected for the HOPE VI Program). The Section 8 funds will be allocated by HUD after HUD approval of the applicant's demolition/disposition application or distressed public housing conversion plan submitted in lieu of a demolition/disposition application in conformance with the statutory requirements for the mandatory conversion of distressed public housing units as required by section 202 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996. These section 8 funds will be distributed through a separate notice.

(D) Eligible Applicants

PHAs that own public housing units are eligible to apply. Indian Housing Authorities are not eligible to apply.

(E) Eligible Activities and Program Authority

Eligible activities are those eligible under sections 5 and 14 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f, 1437i) (1937 Act). Revitalization activities using HOPE VI funds must be for public housing developments. Accordingly, certain activities under the revitalization plan are subject to statutory requirements applicable to public housing developments under the U.S. Housing Act of 1937 (the 1937 Act), other statutes, and the ACC. Within such restrictions, HUD seeks innovative solutions to the long-standing problems of severely distressed developments.

In order to satisfy any particular statutory requirement, a Grantee may take measures as described in implementing regulations, or upon request to HUD for a different approach, as otherwise approved in writing by HUD. As of the date of publication of this SuperNOFA, the provisions of section 14(q) of the U.S. Housing Act of 1937, as amended by section 201 of the FY 1996 HUD Appropriation Act, including provisions in sections 14(q)(2), (3), and (4) of the U.S. Housing Act of 1937 concerning mixed-income development, have not been extended to cover FY 1998 HOPE VI or section 14 Modernization Funding.)

The recipient must conduct the following activities, which may be undertaken with HOPE VI grant funds, in accordance with the cited program requirements or otherwise with HUD's written approval, consistent with the 1998 Appropriations Act and this SuperNOFA. Activities which may be funded with HOPE VI grant funds include but are not limited to:

- (1) Total or partial demolition of buildings, in accordance with 24 CFR part 970;
- (2) Disposition of property, in accordance with 24 CFR part 970;
- (3) Public housing development through the acquisition of land, or acquisition of off-site units with or without rehabilitation to be used as public housing, in accordance with 24 CFR part 941;
- (4) Major rehabilitation and other physical improvements of housing and community facilities primarily intended to facilitate the delivery of self-sufficiency, economic development, or other supportive service opportunities for residents of the targeted development, in accordance with 24 CFR 968.112(b), (d), (e), and (g)-(o), 24 CFR 968.130, and 24 CFR 968.135(b) and (d);
- (5) Construction of replacement rental housing, both on-site and off-site, and

community facilities primarily intended to facilitate the delivery of self-sufficiency, economic development, or other supportive service opportunities for residents of the targeted development and off-site replacement housing, in accordance with 24 CFR part 941, including mixed-finance development in accordance with subpart F;

(6) Homeownership units will be deemed Replacement Units only as specified in the Urban Revitalization heading of the 1993 Appropriations Act (Pub. L. 102-389; approved October 6, 1992); that is, if they meet the statutory requirements of the Section 5(h) Program (42 U.S.C. 1437c(h)); the HOPE II program (42 U.S.C. 12871-80; Pub. L. 101-625, secs. 421-31; 104 Stat. 4079, 4162-72); the HOPE III program (42 U.S.C. 12891-98; Pub. L. 101-625, secs. 441-48; 104 Stat. 4079, 4172-80); or are made available through housing opportunity programs of construction or substantial rehabilitation of homes meeting essentially the same eligibility requirements as the Nehemiah Program.

(7) Management improvements;

(8) Administration, planning, and technical assistance;

(9) Programs designed to help residents gain employment and attain self-sufficiency;

(10) Programs designed to meet the special needs and physical requirements of the elderly and/or disabled and enable the elderly and/or disabled to live where one chooses with dignity, control, and independence.

(11) Relocation, conducted in accordance with 24 CFR 970.5 (demolition) or 24 CFR 968.108 (rehabilitation), as appropriate.

(F) Waivers

PHAs may request, for the revitalized development, a waiver of HUD regulations (that are not statutory requirements) governing rents, income eligibility, or other areas of public housing management to permit a PHA to undertake measures that enhance the long-term viability of a development revitalized under this program.

(G) Limitations on Use of Funds

No funds awarded for the HOPE VI Revitalization Program under this SuperNOFA shall be used for any purpose that is not provided for under the: FY 1998 HUD Appropriations Act; United States Housing Act of 1937; the Appropriations Acts for the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies, for the Fiscal Years 1993, 1994, 1995, and 1997; and the Omnibus Consolidated Rescissions

and Appropriations Act of 1996.

Additionally, no funds awarded for the HOPE VI Program under this SuperNOFA shall be used directly or indirectly by granting competitive advantage in awards to settle litigation or pay judgements.

II. Program Requirements

In addition to the program requirements listed in the General Section of this SuperNOFA, applicants are subject to the following requirements:

(A) Severely Distressed

In order to be eligible for HOPE VI funding, a public housing development, or portion of the development, must be severely distressed as to physical condition, location, or other factors, making the development, in its current condition, unusable for housing purposes. Major problems indicative of severe distress are:

(1) *Physical Condition:* structural deficiencies (e.g., settlement of earth below the building caused by inadequate structural fills, faulty structural design, or settlement of floors), substantial deterioration (e.g., severe termite damage or damage caused by extreme weather conditions), or other design or site problems (e.g., severe erosion or flooding).

(2) *Location:* physical deterioration of the neighborhood; change from residential to industrial or commercial development; or environmental conditions as determined by HUD environmental review, which was previously conducted in accordance with 24 CFR part 50, which jeopardize the suitability of the site or a portion of the site and its housing structures for residential use.

(3) Other factors which have seriously affected the marketability, usefulness, or management of the property, such as significant numbers of families living in poverty, significant incidence of serious crime, high vacancy rate, high turnover rate, low rent collections, etc.

(B) Grant Limitations

The following grant amount limits apply to HOPE VI grants under this SuperNOFA. The grant amount shall be limited by the total amount determined by addition of paragraphs (1), (2), (3), and (4) below, as applicable.

(1) *Total Development Cost (TDC).* TDC is limited to the sum of:

(a) TDCs up to, but not to exceed 100% of, HUD's published TDC limits for the costs of demolition and new construction multiplied by the number of public housing Replacement Units; and/or

(b) 90% of such TDC limits multiplied by the number of public housing units to be substantially rehabilitated.

Total Development Cost (TDC) is limited by the HUD-published TDC Cost Tables, which are issued for each fiscal year for the building type and bedroom distribution for the public housing replacement units. Duplicative funding is prohibited for any replacement units previously funded by HOPE VI or other HUD funds. This requirement does not prohibit any non-HUD funds to be used to supplement HUD funds for any project cost. Disclosure of all prior HUD grant assistance is required for the targeted development. The only exception to this rule is that the receipt of Section 8 relocation assistance does not affect the eligibility of the applicant to receive subsequent HOPE VI Revitalization funding for replacement of the same units.

The Department has developed a new TDC policy and cost control which applies to 1998 grants. A HUD Notice and rule describing this policy will be issued in the near future.

(2) *Community and Supportive Services Programs.* Applicants may request up to \$5,000 per household for community and supportive services, including self-sufficiency programs, based on:

(a) The number of households in occupied units in the project to be revitalized at the time of application submission, and

(b) The estimated number of new households that are expected to occupy replacement units after revitalization; or

(3) *Services to Assist the Elderly.* Applicants may request up to \$5,000 per household for human services programs to address quality of life and other social needs, as opposed to self-sufficiency programs of family HOPE VI projects, rewarding innovative objectives and programs, particularly as related to aging in place and assisted living.

(4) *Relocation.* Applicants may request no more than \$3,000 per occupied unit at the time of HOPE VI application submission for relocation services and expenses.

(5) *Total Grant Amount.*

(a) *Revitalization Applications.*

(i) A PHA may submit one or two separate Revitalization applications. The total amount requested in one or both applications may not exceed \$35 million. If a PHA submits two applications, each application will be reviewed separately, subject to the grant limitation amounts above, and if both applications are selected, the total amount the applicant may receive may not exceed \$35 million.

(ii) Notwithstanding the fact that a PHA may submit one or two Revitalization applications, each individual application may include a request for funds for only one public housing development. Developments that are contiguous, immediately adjacent to one another, or within four city blocks from each other will be considered one development for the purposes of the HOPE VI Program under this SuperNOFA. There is no minimum or maximum number of housing units for which funds may be requested in a single application.

(b) *Elderly Housing Grant Applications.*

(i) A PHA may submit only one application under the Elderly Housing grant requesting no more than \$5 million.

(ii) A PHA may not submit an application for an Elderly Housing grant that targets the same units targeted in a Revitalization application.

(iii) Each application will be evaluated independently and must be viable regardless of whether a PHA applies for funds under the Revitalization grant.

(C) *Public Meeting*

The application must include a certification that at least one public meeting was held to notify residents and community members of the proposed activities described in the application. The meeting must be held after the publication date of this SuperNOFA. Issues that must be covered in the public meeting include:

- (a) The extent of proposed demolition;
- (b) Relocation issues; and
- (c) Other revitalization activities.

(D) *Replacement Units*

(1) Rental units will be deemed Replacement Units and qualify for operating subsidy only if they are to be placed under Annual Contributions Contract and operated as Public Housing.

(2) Homeownership units will be deemed Replacement Units only as specified in the Urban Revitalization heading of the 1993 Appropriations Act (Pub. L. 102-389; approved October 6, 1992); that is, if they meet the statutory requirements of the Section 5(h) program (42 U.S.C. 1437c(h)); the HOPE II program (42 U.S.C. 12871-80; Pub. L. 101-625, secs. 421-31; 104 Stat. 4079, 4162-72); the HOPE III program (42 U.S.C. 12891-98; Pub. L. 101-625, secs. 441-48; 104 Stat. 4079, 4172-80); or are made available through housing opportunity programs of construction or substantial rehabilitation of homes

meeting essentially the same eligibility requirements as the Nehemiah program.

(3) HOPE VI funds may not directly support mixed-finance units which are not themselves to be placed under ACC or be sold as homeownership units as specified above.

(E) *Section 3 Economic Opportunities*

Please see Section II(E) of the General Section of this SuperNOFA. The requirements of Section 3 are applicable to HOPE VI.

(F) *Flood Insurance*

In accordance with the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128), HUD will not approve applications for grants providing financial assistance for acquisition or construction (including rehabilitation) of properties located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, unless:

(1) The community in which the area is situated is participating in the National Flood Insurance program (see 44 CFR parts 59 through 79), or less than one year has passed since FEMA notification regarding such hazards; and

(2) Where the community is participating in the National Flood Insurance Program, flood insurance is obtained as a condition of approval of the application.

(G) *Coastal Barrier Resources Act*

In accordance with the Coastal Barrier Resources Act (16 U.S.C. 3501), HUD will not approve grant applications for properties in the Coastal Barrier Resources System.

(H) *OMB Circulars*

Please see Section II(H) of the General Section of this SuperNOFA.

(I) *Conflict of Interest*

(1) In addition to the conflict of interest requirements in 24 CFR part 85, no person who is an employee, agent, consultant, officer, or elected or appointed official and who exercises or has exercised any functions or responsibilities with respect to activities assisted by HOPE VI funds, or who is in a position to participate in a decisionmaking process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for himself or herself or for those with whom he or she has family or business ties, during his or her tenure or for one year thereafter.

(2) HUD may grant an exception to the exclusion in paragraph (1) of this section on a case-by-case basis when it determines that such an exception will serve to further the purposes of the program and the effective and efficient administration of the revitalization activities. HUD will consider an exception only after the applicant or recipient has provided a disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made, and an opinion of the applicant's or recipient's attorney that the interest for which the exception is sought would not violate State or local laws. In determining whether to grant a requested exception, HUD will consider the cumulative effect of the following factors, as applicable:

- (a) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the revitalization program that would otherwise not be available;
- (b) Whether an opportunity was provided for open competitive bidding or negotiation;
- (c) Whether the person affected is a member of a group or class intended to be the beneficiaries of the activity, and the exception will permit such person to receive generally the same interest or benefits as are being made available or provided to the group or class;
- (d) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decisionmaking process, with respect to the specific activity in question;
- (e) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (1) of this section;
- (f) Whether undue hardship will result either to the applicant, recipient, or the person affected when weighted against the public interest served by avoiding the prohibited conflict; and
- (g) Any other relevant considerations.

(f) Labor Standards

Where HOPE VI funds provide assistance with respect to low-income housing that will be subject to a contract for assistance under the U.S. Housing Act of 1937, Davis-Bacon or HUD-determined wage rates apply to development or operation of the housing to the extent required under section 12 of the Act. Under section 12, the wage rate requirements do not apply to individuals who: perform services for which they volunteered; do not receive compensation for those services or are paid expenses, reasonable benefits, or a nominal fee for the services; and are not

otherwise employed in the work involved (24 CFR part 70). In addition, if other Federal programs are used in connection with the revitalization program, labor standards requirements apply to the extent required by such other Federal programs, on portions of the development that are not subject to Davis-Bacon rates under the Act.

(K) Lead-Based Paint Testing and Abatement

Any property assisted under the HOPE VI Program is covered by the Lead-Based Paint Poisoning Prevention Act (24 U.S.C. 4821 *et seq.*) and is therefore subject to 24 CFR part 35; 24 CFR part 965, subpart H; and 24 CFR 968.110(k).

(L) Building Standards

All activities that include construction, rehabilitation, lead-based paint removal, and related activities:

- (1) Must meet or exceed local building codes; and
- (2) Must comply with the 1992 Model Energy Code issued by the Council of American Building Officials.

(M) Program Income

Where a plan contemplates the receipt of program-related income prior to grant closeout (e.g., from sale of homeownership Replacement Units, or the disposition of improved land), such income must be reflected in the HOPE VI budget and used for program purposes.

III. Application Selection Process

(A) Threshold Criteria for Funding Consideration

- (1) The applicant must be an eligible Public Housing Agency.
- (2) The targeted public housing development or portion thereof must be severely distressed, as defined in Section II(A) of this HOPE VI Program section of the SuperNOFA.
- (3) The application must include all required forms, certifications and assurances, properly signed and executed, after any period provided for the curing of deficiencies consistent with section V below.
- (4) Applications that propose new construction of replacement housing must comply with the requirements of section 6(h) of the 1937 Act by submitting the information described in either paragraphs (a) or (b) of this section:

(a) A PHA comparison of the costs of new construction (in the neighborhood where the PHA proposes to construct the housing) and the costs of acquisition of existing housing or acquisition and rehabilitation in the same neighborhood

(including estimated costs of lead-based paint testing and abatement), or

(b) A PHA certification, accompanied by supporting documentation, that there is insufficient existing housing in the neighborhood to develop housing through acquisition of existing housing or acquisition and rehabilitation.

(B) Application Rating Factors

The factors for rating and ranking applications and the maximum points for each factor, are provided below. The maximum number of points for each application is 102. This includes two EZ/EC bonus points, as described in the General Section of this SuperNOFA.

Rating Factor 1: Capacity of the Applicant and Relevant Organizational Experience (20 Points)

This factor addresses the extent to which the applicant has the organizational resources necessary to successfully implement the proposed activities in a timely manner. In order to ensure that revitalization efforts take place without delays attributable to administration and management, applications that demonstrate the highest degree of capability to implement revitalization in an expeditious manner upon grant award will be awarded the most points under this rating factor.

The rating of the "applicant" or the "applicant's organization and staff," unless otherwise specified, will include any sub-contractors, consultants, subrecipients, and members of consortia which are firmly committed to the project.

In rating this factor, HUD will consider the extent to which:

- (1) The applicant and/or its proposed partners, including the overall proposed project director and staff, the day-to-day program manager, consultants, and contractors, have knowledge and recent, successful experience in planning, implementing, adapting, and managing:
 - (a) Revitalization activities;
 - (b) Self-sufficiency programs;
 - (c) Supportive services for the elderly, if applicable;
 - (d) Other programs similar in scope or nature to the proposed activities.

HUD does not require that the applicant have its program manager and/or developer selected prior to submission of the application, although the PHA may elect to do so. Rather, the PHA must demonstrate its capacity or its ability to identify needs in its current staffing to successfully implement its program, and/or describe in detail its proposed method for securing a program manager and/or development partner to implement the plan.

(2) The applicant has adequate experience in management and marketing. The applicant has thoroughly evaluated the obstacles that prevented good management, as well as other problems that contributed to the obsolescence of the targeted development, and the new management plan will protect against such obstacles and problems and will improve the efficiency and economy of management. PHAs may propose private management or self-management, but in the latter case *must* demonstrate its capacity to self-manage; or

(3) The applicant has sufficient personnel or will be able to procure partners quickly to implement the revitalization plan in a timely and effective fashion immediately after grant award;

(4) The applicant proposes an appropriate balance of oversight and autonomy in its use of partners and/or contractors;

(5) The applicant has satisfactory managerial experience with resident initiatives;

(6) If the applicant received HOPE VI funding in previous years, HUD will evaluate its ability to demonstrate progress through its expenditure rate and achievement of program objectives.

Rating Factor 2: Need/Extent of the Problem (20 Points)

This factor addresses the extent to which there is a need for funding the proposed program activities to address a documented problem in the target area.

In rating this factor, HUD will consider:

(1) The extent to which the applicant has documented a critical level of need for the proposed activities at the targeted development. Documentation of need must demonstrate that:

(a) There is a significant level of physical deterioration of buildings and sites, as supported by information and data which shows the extent of physical problems at the site such as major structural deficiencies, electrical systems under code, poor site conditions, leaking roofs, deteriorated infrastructure, high levels of deferred maintenance, number of units that do not meet Housing Quality Standards, levels of lead based paint, and other factors;

(i) The level of distress at the site is urgent and threatens to become imminently greater without immediate intervention;

(ii) The PHA lacks the funds to revitalize the development to provide decent, safe, and sanitary housing at the site;

(b) The level of physical distress in the surrounding community is extreme and contributes to the obsolescence of the site, as evidenced by information and data addressing such factors as housing density, housing deterioration, and lack of adequate infrastructure or utilities;

(c) The community as a whole has a demonstrated level of social distress, as evidenced by indicators such as significant incidence of criminal activity, a high vacancy rate, high rates of housing turnover, truancy, and unemployment, low rates of rent collections, graduation, and other objective, measurable indicators;

(d) The distress at the site was caused or exacerbated by obsolescence, not factors within the applicant's control;

(2) The extent to which the level of need for the proposed activity and the urgency in meeting the need are documented with statistics and analyses contained in a data source(s) that is sound and reliable. To the extent that the applicant's community's Consolidated Plan and Analysis of Impediments to Fair Housing Choice (AI) identifies the level of the problem and the urgency in meeting the need, references to these documents should be included in the response. The Department will review more favorably those applicants who used these documents to identify need, when applicable.

If the proposed activity is not covered under the scope of the Consolidated Plan and Analysis of Impediments to Fair Housing Choice (AI), applicants should indicate such, and use other sound data sources to identify the level of need and the urgency in meeting the need. Types of other sources include, but are not limited to, Census reports, Continuum of Care gaps analysis, law enforcement agency crime reports, Public Housing Authorities' Five Year Comprehensive Plan, and other sound and reliable sources appropriate for the specific SuperNOFA program and activities for which an applicant is applying. For technical assistance programs, input from HUD State and Area Office(s) and assessments are included among the data sources that may be used to identify need.

(3) The PHA agrees that they are subject to the provisions found at 24 CFR part 971 and that they are required to submit a conversion plan, i.e., a plan for removal of the distressed development from the public housing inventory, in accordance with the requirements at 24 CFR 971.7(b).

Rating Factor 3: Soundness of Approach (40 Points)

This factor addresses the quality and cost-effectiveness of the applicant's proposed revitalization plan. There must be a clear relationship between the proposed activities, community needs and the purpose of the program funding for an applicant to receive points for this factor. In rating this factor, HUD will consider the extent to which:

(25 Points for Subfactors (1) through (7))

(1) There is a demonstrated considerable market for the revitalized and/or replacement units of the type and size proposed;

(2) The purposes and goals of the program for which funding is requested, will be achieved within an appropriate and reasonable timeframe and program activities will result in measurable accomplishments consistent with the purposes of the program.

(3) The cost estimates of program activities:

(a) Are financially sustainable over the long run;

(b) Are developed through the use of technically competent methodologies

(c) Represent a cost-effective plan for designing, organizing and carrying out the proposed activities;

(d) Are reasonable for the work to be performed and consistent with rates established for the level of expertise required to perform the work in the proposed geographic area;

(e) Are projected to be within HUD TDC and Community and Supportive Service limits;

(f) Are reasonable relative to the cost of providing section 8 tenant-based assistance.

(4) The information and strategies described are coherent and internally consistent.

(5) The proposal will lessen concentration of low-income residents and create desegregation opportunities:

(a) The physical design of the proposed housing will significantly reduce the isolation of low-income residents and/or significantly promote mixed-income communities in well-functioning neighborhoods;

(b) Access to municipal services, job information, mentoring opportunities, transportation, and educational facilities will be increased;

(c) Operational and management principles will promote economic and social diversity;

(d) Intensive counseling will be provided to section 8 certificate or voucher holders to find housing in non-poor areas and prepare these residents for self-sufficiency;

(6) The revitalization plan proposes innovative approaches to public housing transformation.

(a) Applicants are encouraged to design forward-thinking programs that incorporate the most current sound research on planning, implementation, financing, partnerships, management, and operation of public housing and self-sufficiency and educational programs. Conventional approaches should be reserved for HUD's formula-based capital programs.

(b) Applications should have the potential to yield innovative strategies or "best practices" that can be replicated and disseminated to other organizations, including nonprofit organizations. State and local governments. HUD will assess the transferability of results in terms of model programs or lessons learned from the work performed under the award. Applicants will be required to prepare an analysis of best practices as part of their reports to HUD that may be used by HUD to inform others who may be interested in learning from the experiences gained from the work performed under awards funded through this SuperNOFA.

(7) The design of the revitalized development demonstrates an achievable effort to blend into and enrich the urban landscape:

(10 Points for Subfactors (8) through (11))

(8) Applications for Elderly Housing grants:

(a) Will create new communities for the elderly and disabled designed to meet the special needs and physical requirements of the elderly and disabled. Applicants' elderly program strategies complement their overall HOPE VI revitalization strategy.

(b) Address the issues of transportation, access to health care, security, and affordability with innovative approaches.

(c) Propose demonstration programs based on recent research and program innovations. Applicants are free, however, to propose programs that address elderly and disabled needs in the manner most appropriate for their locality.

(d) Include provisions for sustainability beyond the proposed program period.

~~(10 points for Subfactors (9) through (11))~~

(9) Applications targeted toward families propose opportunities for self-sufficiency, particularly for persons enrolled in welfare-to-work programs. The self-sufficiency plan:

(a) Demonstrates objectives that are results-oriented, with measurable goals and outcomes;

(b) Demonstrates consistency with state and local welfare reform goals;

(c) Is financially and programmatically sustainable over the long run;

(d) Is well integrated with the development process;

(e) Proposes a program that is of an appropriate scale, type, and variety of services to meet the needs of residents;

(f) Proposes resident training, self-motivation, employment, and education;

(g) Includes opportunities for economic and retail development at or near the public housing site, as appropriate.

(h) Provides commitments by service providers to provide services and/or funding;

(i) Demonstrates that relationships have been forged with local Boards of Education, institutions of higher learning, non-profit or for-profit educational institutions and public/private mentoring programs that will lead to new or improved educational facilities and improved educational achievement of children of PHA residents from birth through higher education;

(j) Identifies employers and potential employment opportunities for residents who complete community and supportive service training; and

(k) Demonstrates an effective use of technology.

(10) Residents and members of the communities to be affected by the proposed activities have had and will continue to have full and meaningful involvement in the planning and implementation of the revitalization effort:

(a) In addition to meeting the requirement for at least one public meeting to inform residents and members of the surrounding community of the revitalization plan as presented in the application submitted to HUD, the PHA has provided meaningful opportunities for participation to residents and members of the surrounding community of the meeting(s) through:

(i) Clear information about the application;

(ii) Prominent posting of information about the application and scheduled meetings in locations likely to attract notice; and

(iii) Posting of the information in adequate time to allow participants to plan to attend meetings.

(b) Residents and non-resident members of the surrounding community:

(i) Have had the opportunity to participate in the shaping of the application;

(ii) Support the activities proposed in the submitted application;

(iii) Will have opportunities for continued involvement and participation as program activities proceed.

(11) The proposed operation and management principles will accomplish all of the following goals:

(a) Achieve efficient and effective property management and maintenance through private or PHA management;

(b) Lead to a range of incomes in the targeted development including substantial numbers of working residents through effective self-sufficiency programs;

(c) Reward work and promote family stability through positive incentives such as income disregards and ceiling rents. PHAs may establish ceiling rents and may institute earned income disregards for FY 1998;

(d) Provide greater safety and security by:

(i) Instituting tough screening requirements;

(ii) Enforcing tough lease and eviction provisions;

(iii) Enhancing on-going efforts to eliminate drugs and crime from neighborhoods through collaborative efforts with local law enforcement agencies and local United States Attorneys and program policy efforts such as "One Strike and You're Out," the "Officer Next Door" initiative, or Department of Justice "Weed and Seed" programs;

(iv) Promoting healthy homes, i.e., improving the safety and security of residents through anti-crime measures and the installation of physical security or design enhancements.

(e) Promote economic and demographic diversity through a system of local preferences; and

(f) Encourage self-sufficiency by including lease requirements that promote resident involvement in the tenants association, community service, self-sufficiency, and transition from public housing.

(12) (5 Points) The Revitalization Plan will affirmatively further fair housing by actively ensuring that marketing, locations of housing, and structural accessibility of housing will encourage natural integration and discourage inappropriate concentrations of minorities in undesirable neighborhoods.

(a) Developments constructed or rehabilitated with HOPE VI funds must meet the accessibility requirements contained in various civil rights statutes

and regulations, and may receive points under this factor if they meet the visitability standards adopted by the Department that apply to those units not otherwise covered by the accessibility requirements.

(b) PHAs are encouraged to promote greater opportunities for housing choice by making at least 5% of for-sale units accessible to individuals with mobility disabilities and 2% of for-sale units accessible to individuals who have visual or hearing disabilities.

(c) Innovative designs are encouraged, particularly with respect to for-sale house configurations, which simultaneously meet accessibility requirements and achieve marketability for non-disabled households.

(d) Program activities should aid a broad diversity of eligible residents, including those that have been traditionally underserved. Efforts to increase community awareness in a culturally sensitive manner through education and outreach will also be evaluated, if applicable.

Rating Factor 4: Leveraging Resources (10 Points)

This factor addresses the ability of the applicant to secure additional resources for the proposed activities which can be combined with HUD's program resources to achieve program purposes. Resources include in-kind contributions such as staff or supplies; grants, loans, and other financing; or other types of contributions to the program activities. This factor emphasizes the importance of a PHA not just seeking endorsements and vendor relationships with others, but actively enlisting other stakeholders who are vested in the revitalization effort, including public and private non-profit and for-profit entities with experience in the development and/or management of low- and moderate-income housing, those that are skilled in the delivery of services to residents of public housing, educational institutions, foundations, banks, and other organizations. HUD will evaluate the strength of commitment articulated in letters of support.

If a PHA is also a redevelopment agency or otherwise has citywide responsibilities, HUD will consider the city's redevelopment or other functional area to be a separate partner with which the housing authority function is partnering, where appropriate.

In rating this factor, HUD will consider the extent to which:

(1) The PHA has initiated strong partnerships with entities that will provide significant, firm funding and other commitments if HOPE VI funds are awarded. Applicants must provide

evidence of leveraging and partnerships by including in the application letters of firm commitments, memoranda of understanding, agreements to participate, or letters of support if firm commitments cannot be secured. All such documentation must include the organization's name, proposed level of commitment, and proposed responsibilities as they relate to the revitalization plan. The commitment must be signed by an official of the organization legally authorized to make commitments on behalf of the organization.

(2) The infusion of HOPE VI dollars will leverage additional resources after grant award, including municipal funds, charitable contributions, private debt and equity, and other partnerships which may not have a dollar value but are critical to the successful transformation of the development and the lives of its residents.

Rating Factor 5: Comprehensiveness and Coordination (10 Points)

This factor addresses the extent to which the applicant coordinated its activities with other known organizations, participates or promotes participation in a community's Consolidated Planning process, and is working towards addressing a need in a holistic and comprehensive manner through linkages with other activities in the community.

In rating this factor, HUD will consider the extent to which the applicant demonstrates that it has:

(1) Coordinated its proposed activities with those of other groups or organizations prior to submission in order to best complement, support and coordinate all known activities and if funded, the specific steps it will take to share information on solutions and outcomes with others. Any written agreements, memoranda of understanding in place, or that will be in place after award should be described;

(2) Taken or will take specific steps to become active in the community's Consolidated Planning process (including the Analysis of Impediments to Fair Housing Choice) established to identify and address a need/problem that is related to the activities the applicant proposes.

(3) Taken or will take specific steps to develop linkages to coordinate comprehensive solutions through meetings, information networks, planning processes or other mechanisms with:

(i) Other HUD-funded projects/activities outside the scope of those covered by the Consolidated Plan;

(ii) Civil rights organizations;

(iii) Local Area Agency on Aging, if applicable;

(iv) Local agency serving persons with disabilities, if applicable;

(v) Local Weed and Seed task force, if the targeted development is located in a designated Weed and Seed area; and

(vi) Other Federal, State or locally funded activities, including those proposed or on-going in the community;

(vii) Local law enforcement agencies and the local United States Attorney.

(C) Application Evaluation.

Awards under this HOPE VI Program section of the SuperNOFA will be made through a selection process that will award grants to the most meritorious applications.

(1) Revitalization Applications.

(a) HUD will preliminarily review, rate and rank each eligible application on the basis of the evaluation factors set forth in Section III(B) of this HOPE VI Program section of the SuperNOFA, above, excluding Factor 3(8), which is specific to applications proposing revitalization of elderly housing.

(b) A final review panel will assess each of the applications advanced to final review and will assign the final scores. The final review panel will review the scores of all applications:

(i) Whose preliminary score is above a base score established by HUD. HUD intends to set the base scores so that applications requesting a total of approximately \$900 million are advanced to the final review stage.

(ii) That proposed revitalization activities at sites for which HOPE VI revitalization implementation applications were submitted to HUD in the FY 1997 HOPE VI revitalization competition but were not selected for funding.

(c) HUD will select for funding the most highly-rated eligible applications up to available funding, except that HUD, in its discretion, may choose to select a lower-rated approvable application over a higher-rated application in order to increase the level of national geographic diversity of applications selected under this HOPE VI Program section of the SuperNOFA.

(2) Elderly Housing Grant Applications.

(a) HUD will preliminarily review, rate and rank each eligible application on the basis of the evaluation factors set forth in Section III(B), above, excluding Factor 3(9), which is specific to applications proposing revitalization of family housing.

(b) A final review panel will assess each application and will assign the final scores;

(c) HUD will select for funding the most highly-rated eligible applications up to available funding.

D) Notification of Funding Decisions.

(1) In accordance with the HUD Reform Act, HUD may not notify applicants as to whether or not they have been selected to participate until the announcement of the selection of all recipients for this HOPE VI Program under this SuperNOFA. HUD will provide written notification to all applicants.

(2) HUD's notification of award to a selected applicant will constitute a preliminary approval by HUD subject to:

(a) The completion of a subsidy layering review pursuant to 24 CFR 941.10(b);

(b) The execution by HUD and the recipient of a Grant Agreement; and

(c) A HUD environmental review. Selection for participation (preliminary approval) does not constitute approval of the proposed site. Each preliminarily-selected PHA must assist HUD in complying with environmental review procedures, conducted by HUD in accordance with 24 CFR part 50. The PHA may not acquire, rehabilitate, convert, lease, repair, or construct a property, or commit HUD or local funds to these activities, until written approval is received from the appropriate HUD Environmental Clearance Officer in its area, certifying that the proposed activities have been approved and the PHA is released from all environmental conditions. The results of the environmental review may require that proposed activities be modified or the proposed site rejected.

(E) Grant Agreement.

Because the HOPE VI Program does not have Federal regulations, upon selection for funding, HUD and the recipient will execute a Grant Agreement setting forth the amount of the grant and applicable rules, terms, and conditions, including sanctions for violation of the agreement. The Grant Agreement will set forth the precise schedules of the HOPE VI Program, provide program requirements, describe requirements for implementation of the revitalization plan, and provide any special conditions on the Grantee, as applicable. Among other things, the Grant Agreement will provide that the recipient agrees to:

(1) Carry out the program in accordance with the provisions of this

NOFA, applicable law, the approved application, and all other applicable requirements, including requirements for mixed finance development, and section 202 of OCRA;

(2) Comply with such other terms and conditions, including recordkeeping and reports, as HUD may establish for the purposes of administering, monitoring, and evaluating the program in an effective and efficient manner, including full cooperation with HUD's program oversight contractor;

(3) Assemble a team to implement the HOPE VI Program that has a strong management and development track record and has the capability to commence and carry out a quality HOPE VI program. If the Grantee fails to make this demonstration to the satisfaction of HUD and its program oversight manager, HUD will direct corrective actions as a condition of retaining the grant;

(4) Execute a construction contract within 18 months (or a period specified in the Grant Agreement). Failure to obligate funds will result in the enforcement of default remedies up to and including withdrawal of funding; and

(5) Establish interim performance goals and complete the physical component of the HOPE VI revitalization within 48 months of execution of the grant agreement. The Secretary shall enforce this requirement through default remedies up to and including withdrawal of funding that the PHA has not obligated. HUD will take into consideration those delays caused by factors beyond the control of the Grantee when enforcing these schedules; and

(6) Execute an ACC Amendment for Mixed-Finance development.

(F) Failure to Proceed

In the event that an applicant selected to receive HOPE VI funding does not proceed in a manner consistent with its application, HUD may withdraw any unobligated balances of funding and make this funding available, subject to applicable law, in HUD's discretion, to the next highest ranked applicant that was not selected for funding in the most recently conducted HOPE VI selection process or combined with funding under an upcoming competitive selection process. Failure to proceed with respect to obligated funds will be governed by the terms of the Grant

Agreement or ACC amendment, as applicable.

IV. Application Submission Requirements.

Each HOPE VI revitalization application must conform to the requirements of the HOPE VI Revitalization Application Kit, both in format and content. In addition to the forms, certifications and assurances required by Section II of the General Section of this SuperNOFA, each application must include the following, as directed by the application kit:

(A) A description of existing conditions that describes the extent of need for the program funds requested;

(B) Revitalization Plan which describes all revitalization activities to be funded in the application and details how the proposed work will be accomplished;

(C) For Revitalization applications, a description of plans for resident Self-Sufficiency Programs, including plans for resident consultation and documentation of resident involvement in the planning process;

(D) For Elderly Housing grant applications, a description of plans for resident services, including plans for resident consultation and documentation of resident involvement in the planning process;

(E) A proposed Management Plan which describes the capacity of the applicant and partners to carry out the plan, and proposed management principles which will be implemented to support revitalization efforts;

(F) Documentation of program financing and resources;

(G) A description of any capital funds received by the PHA within the past five years for improvement of the project, including but not limited to Modernization funding under section 14 and MROP funding.

(H) A program schedule.

(I) A certification that at least one public meeting was held to notify residents and community members of the proposed activities described in the application.

V. Corrections to Deficient Applications

The General Section of this SuperNOFA provides the procedures for corrections to deficient applications.

BILLING CODE 4210-32-P



The Chicago Housing Authority

September 9, 1996

Mr. Christopher Hornig
Deputy Assistant Secretary
Office of Public Housing Investments
U.S. Department of Housing and
Urban Development
451 Seventh Street, SW., Room 4138
Washington, DC 20410

Dear Mr. Hornig:

It is my pleasure to submit this HOPE VI application to continue the revitalization already underway at the Henry Horner Homes and to begin redevelopment at the 3,500 unit complex known as ABLA.

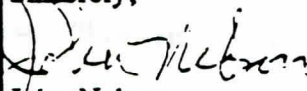
HOPE VI is critical to the continued recovery and long-term sustainability of the CHA. With the most severely distressed public housing developments in the nation, the CHA is wholly dependent on the HOPE VI program to redevelop these communities. To underscore the overwhelming need, the mandatory conversion language in this year's appropriation bill would require the demolition of nearly 19,000 units of public housing. This funding would enable CHA to demolish some of the most run down, crime infested high rises while upgrading and expanding the affordable housing stock in Chicago.

Three high rises have already been torn down at Henry Horner, and two more will be demolished later in the year. Replacement housing is under construction on the existing site and in the surrounding community. This activity has been the catalyst for the redevelopment of the entire Near West side of Chicago, transforming a desolate, poverty stricken inner city area into a vibrant mixed income community. This HOPE VI funding would add 150 units of new low rise housing to the 466 units already under construction or in the planning stages. All of the units built both on and off site will be divided equally between very low income and working families.

ABLA offers revitalization possibilities on a par with Cabrini-Green—prime real estate with high potential for mixed income development. This funding would enable the demolition of three dilapidated high rises and the construction of 200 replacement units on the existing site and on vacant parcels in the vicinity. ABLA is also included in the Authority's vacancy consolidation plan—relocation has begun in two separate sections of the development.

Thank you for your consideration of this funding request.

Sincerely,


John Nelson
Deputy Executive Director, Operations

Edwin Eisendrath
Chairman

Joseph Shuldiner
Executive Director

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

Ed Moses
Deputy Executive Director
for Community Relations
& Involvement

John Nelson
Deputy Executive Director
for Operations

Ana L. Vargas
Deputy Executive Director
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The Chicago Housing Authority

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Sincerely,

John Nelson
Deputy Executive Director, Operations



Business and Professional People
for the Public Interest

September 9, 1996

U. S. Department of Housing and
Urban Development
451 Seventh Street, S. W. - #4138
Washington, D. C. 20410

Attn: Director, Office of Public Housing Investments

Ladies and Gentlemen:

On behalf of the Gautreaux plaintiffs, we write this letter in support of the application of the Chicago Housing Authority pursuant to the NOFA (Docket No. FR-4076-N-01) published in the Federal Register of Monday, July 22, 1996. The application seeks \$42,918,550 of funding for 350 replacement housing units at CHA's Horner and ABLA developments.

We wish to point out that the application is submitted pursuant to the sentence in the NOFA (F.R. 38025) which states:

"In order to meet its obligations under the Gautreaux Consent Decree requiring HUD to provide comparable relief when HUD cannot provide section 8 New Construction assistance, HUD may provide funding for up to 350 public housing replacement units to the Chicago Housing Authority, provided that the funding will fulfill an unsatisfied obligation under the Consent Decree to provide comparable relief, and provided, that the Chicago Housing Authority submits one or more applications for such public housing replacement units in response to this NOFA."

We also wish to make reference to Secretary Cisneros' letter to Alexander Polikoff dated July 1, 1996, in which the Secretary says that although the HOPE VI grants will be awarded under a competitive process, the NOFA "will provide an absolute priority for a CHA HOPE VI application seeking funding for up to 350 replacement housing units. . ."

The Gautreaux plaintiffs do not agree that their entitlement to a FY1996 set-aside under the Gautreaux Consent Decree may be conditioned upon CHA's NOFA application. See the letter to the Secretary from Alexander Polikoff dated July 12, 1996. However, to avoid controversy over what may be a moot point in light of the Secretary's "absolute priority" statement, and because we fully support the plans

for the 350 replacement housing units described in CHA's application, we have agreed to postpone taking other steps pending HUD's response to the NOFA application. Moreover, we have told HUD lawyers that honoring the NOFA application will be viewed by the Gautreaux plaintiffs as fulfilling the unsatisfied HUD obligation under the Gautreaux Consent Decree respecting the FY1996 Gautreaux set-aside. We do, of course, reserve our rights to seek the FY1996 Gautreaux set-aside in other ways should the CHA NOFA application not be honored.

We wish to add that our Gautreaux support for the NOFA application is complete. We believe that the Horner portion has the potential to move the revitalizing Horner area a giant step forward, and that the ABLA portion can begin a strong revitalization effort in another nearby community that is ripe for such activity.

Sincerely yours,


Alexander Polikoff

ALP:mmm

cc: Howard Schmeltzer
Edwin Eisendrath

Exhibit A: Statement of Objectives and Goals

The primary objectives of the proposal are: 1). to continue to carry out a "Revitalization Program" that is set out in a Federal Court consent decree in Homer Mother's Guild vs. CHA/HUD and 2). to develop and implement a comprehensive self-sufficiency program for residents to permit them to be economically, socially, and culturally independent. The Court Order calls for a "conversion of The Homer Development from a densely populated, dilapidated and exclusively very low income project characterized by high vacancies and dangerous and hazardous conditions to a mixed-income neighborhood consisting of new and renovated mid-rise and low-rise, low-density homes that are fully occupied and maintained in a decent, safe, and sanitary manner." *

1. Changing the physical shape of public housing. The proposal calls for the demolition of four (4) obsolete high rise structures (15 stories) with six (6) building addresses which contain a total of 743 very low income public housing units. Two (2) of the high rises already have HUD approval for demolition. Relocation is about two-thirds complete on these two high-rises, which should facilitate that demolition. Relocation recently began on the two (2) additional building addresses now being proposed for demolition. The proposed replacement housing will be new houses and semi-detached homes similar and complementary to the surrounding community. Badly needed open recreation space is also being provided to assist marketing and quality of life to the new community.
2. Establishing Positive Incentives. The plan intends to develop a home-ownership component to the revitalization as self-sufficiency programs are implemented. All CHA vendors and management vendors are required to hire residents for 10% of all jobs or contribute 10% of contract proceeds for resident training. Through arrangements with the local assistance offices, financial incentives for welfare recipients taking training or employment are being provided, as well as a health service safety net. A "consortium" of over 20 community groups and service providers has been formed to provide a total support network to work with residents in day care, job training, placement, job development, education, security, and health care alternatives. The University of Illinois and the Illinois Medical Center District have offered to identify new and turnover jobs from their 54,000 job employment base.
3. Enforcing tough expectations. Private management took over on July 1, 1996 as part of the court order. The new Management Plan provides for prompt eviction for non-payment and for-cause cases, strict adherence to the "one strike and you're out" initiative. Under the Court Order a new Security Plan was

* Source: Amended Consent Decree, Henry Homer Mothers Guild et al. vs. CHA et al.:
September 1995 (Case No. 91C3316).

implemented on June 14, 1996 which provides for additional CHA police and CHA security guards to be on-site, execute vertical and perimeter patrols, and adds bicycle patrols to the aggressive enforcement process. A resident ID system and security booth stations are being implemented in existing high-rise and mid-rise buildings. A system of rule violations with warnings, fines, and evictions for non-compliance is being implemented and enforced. The Tenant Selection Committee, required by the Court Order is made up of private management, members of the surrounding private community and Horner residents. Police checks, credit checks, direct interviews, and home inspections are required and considered in selecting new tenants.

4. Lessening Concentrations of Poverty. The proposal calls for demolition of 743 very low-income public housing units and replacing them with 150 single family, duplex, and two-flats. All will be for "mixed" income (50% very low and 50% for 50-80% median income). The residents already being relocated under the Horner and Gatreaux Court Orders are receiving mixed income units in the area, scattered site units in non-Afro-American census tracts and Section 8 housing. The entire plan is geared to ending social and economic isolation, providing numerous alternatives in attaining self-sufficiency and opening up new opportunities by partnering with private businesses, government agencies, institutions and non-profit organizations.
5. Forging Partnerships. Over 20 social service, health, community organizations and government agencies have formed "task forces" to address jobs, education, human resources, planning, security, economic development, and property management for the development and surrounding community (where low density, mixed income housing is being integrated into the exiting neighborhood under the Court Order replacement plan). These groups have forged a comprehensive program to address the overall needs of present public housing residents as they transition into the revitalized overall community being created. The groups meet regularly to carry on their work and are accountable on a monthly basis to a community forum which includes the overall neighborhood and the CHA residents. The University of Illinois is providing technical assistance to the Task Force and is about to undertake an in depth Family Needs Assessment (Required by Court Order). That Assessment will include inventory suppliers of the services needed and assist in accessing these services. The University and the Illinois Medical Center District are identifying entry level, turnover, and future employment opportunities for residents. Together these two institutions employ over 54,000 employees. Residents will be trained or referred based on skills required for specific jobs.

Exhibit C: Physical Description of Revitalization Plan

The overall revitalization plan for the Homer Development (Projects IL 2-19, IL 2-27B, and IL 2-35) is a multi-year, multi-phase program being carried out by a Federal Court Consent Decree.

Phase I began in April of 1995 and will result in demolition of 466 units (2 high rises and 3 mid rises) in the Homer Extension (IL2-35). Funding has already been provided for 466 replacement units which are under construction. Two hundred of the units are being built back on site of the demolished units (lessening the density by about 60%) and 266 units are being provided by new construction on scattered vacant, in-fill sites or acquisition and rehabilitation of vacant and existing properties in the surrounding communities. These sites were the subject of a court approved waiver under the Gautreaux Desegregation case and have been determined to be "Revitalizing Areas" under the provisions of that case. As a condition of the waiver, the replacement housing units are to be for "mixed" income occupancy (50% of the residents must earn 50% or less of median income and 50% of the residents must earn 51% to 80% of the median income). Also included in Phase I is the rehabilitation of IL 2-27B (The Annex Homes). This former 109 unit development is being completely renovated into 90 apartments convertible to 98 units with appropriate community space and outdoor recreation. It is in progress and scheduled for completion in about 16 months. The development is to be re-marketed as a "mixed" income community using 50% of median families and 51 to 80% of median families. Phase I is to be completed in April of 1997 under the Court Order.

Phase III is to consist of the complete rehabilitation of the seven (7) mid-rise buildings in the Homer Homes. The rehabilitation is more incremental than the development in Phase I or II. These mid-rises are presently undergoing a \$5 million dangerous and hazardous repair program, new elevators are to be put in, and extensive exterior repairs to the brick and concrete is about to begin. Significant other investments in pest control, recreation, landscape, and preventive maintenance are being made. Phase III is to be completed on or before April, 2001.

Targeted Development

This Hope VI application, if funded, would provide funding for the beginning of the next phase of revitalization at Homer and would demolish the four remaining high-rise structures and provide land for additional replacement housing units and badly needed open, recreation space.

1. No changes in the size, shape, or use of interior spaces to existing units is contemplated under this application. Only demolition and provision of replacement housing units is proposed.
2. The provision of open, recreation area is proposed as part of this application. Land would be provided within the site to be demolished to facilitate park, sport facilities, and provision of other social and recreation services to the residents who will reside in the 150 replacement housing units to be provided as replacement housing under this application and the 466 replacement housing units previously funded under the Court settlement.
3. The proposed on-site replacement units for the to be demolished public housing units would be provided as follows:

No.	BR Size	Unit Type
10	2BR	Semi-Detached
55	3BR	Semi-Detached
8	4BR	Semi-Detached
2	5BR	Semi-Detached

The units will avoid or lessen concentrations of very low-income families by requesting a Gautreaux Revitalizing Waiver to permit 50% of the units to be provided to very low income families and 50% to families earning 51 to 80% of area median income. Also, the design of the units will be rowhouses and duplex units that will accommodate only two families per building, one of which will be marketed to a very low income family and the other to a 51-80% median income family.

4. No off-site replacement housing units are proposed under this application for targeted development.
5. No Section 8 certificates are being proposed to be used for replacement or relocation housing under this application. Relocation of the families presently residing in the buildings are already covered by the Homer Consent Decree and are being provided out of already existing certificates. The families who have already chosen Section 8 certificates as their housing replacement choice under the Court Order are being provided counseling through the Metropolitan Leadership Council of Greater Chicago. If they choose to enter their program after counseling, they are given priority.
6. No site acquisitions are proposed under this application and all replacement housing will be built back on land to be made available after demolition.
7. All new replacement units will be wired for computer access cable as part of the specification for construction.
8. A copy of a Post-revitalization Map delineating the various phases of revitalization under the Court Order is attached. The "target development" areas covered by this application are specially identified on that map.
9. The 1996 Consolidated Plan/Action Plan of the City of Chicago (prepared for HUD November 1995) finds the following Housing needs:
 - a. Extremely Low-Income: 0-30% of Median Family Income.
 - 75% of extremely low-income households experience excessive cost burdens.
 - The availability of 16,000 vacant units overall is not enough to reduce the demand for affordable units at this level.
 - 61% of large renter households at 0-30% median financial income live in overcrowded conditions.
 - b. Low-Income: 31 to 50% of Median Family Income.
 - 75% of renters and 42% of homeowners experience housing problems.

- Large minority households experience the greatest number of housing problems at this income level.
- The nearly 30,000 vacant units at this income level are not enough to meet the demand for affordable housing.

c. Moderate Income: 50 to 80% of Median Family Income.

- 41% of renter households face severe cost burdens.
- Elderly and single person households demonstrate the greatest incidence of housing problems at this income level.
- Over one-half of large rental households live in overcrowded conditions.

The Chicago Housing Authority (CHA) reports that a total of 26,967 registered households are seeking housing units in CHA as of August 9, 1993. At that time CHA was calling and processing applicants who had registered in April of 1991 for high-rises, in September of 1991 for low-rises and in June of 1984 for scattered-site housing.

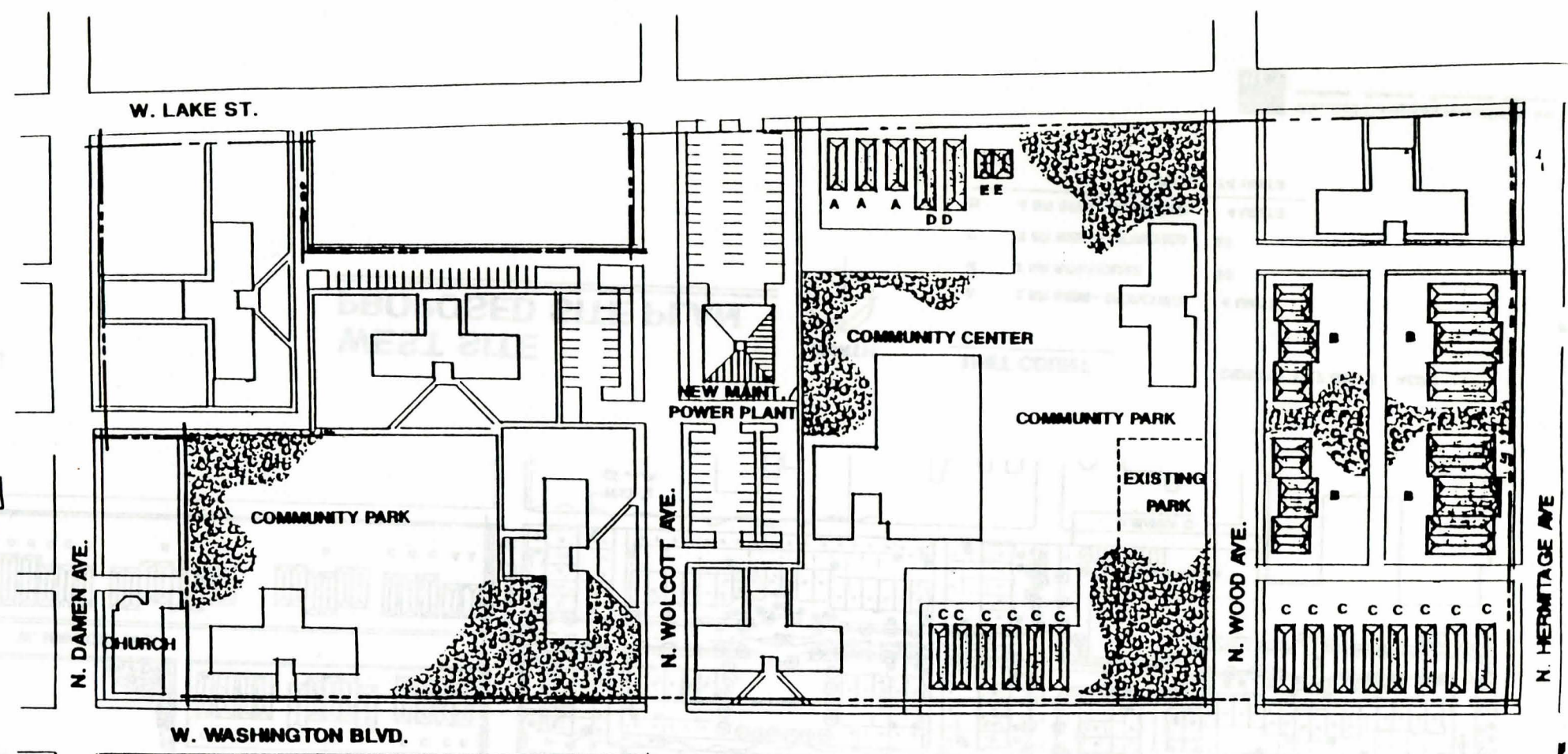
Once families are drawn from the registration list and certified as eligible, the average waiting list (as of September, 1995) exceeds one year for high-rises, four years for low-rises and five to seven years for scattered-site housing.

Although CHA's Section 8 waiting lists for non-elderly households have been closed since 1985 a total of more than 47,000 families were waiting for Section 8 assistance as of October 1, 1995. Families currently being called from the list for Section 8 have been waiting approximately 19 years. In addition, CHA has been receiving applicants at a rate of approximately 100 per month under the Federal preference categories. There is additional pent-up demand from households who cannot register due to a closed list.

Finally, based on a Marketability Analysis of the Revitalization Plan by American Marketing Services it was found that:

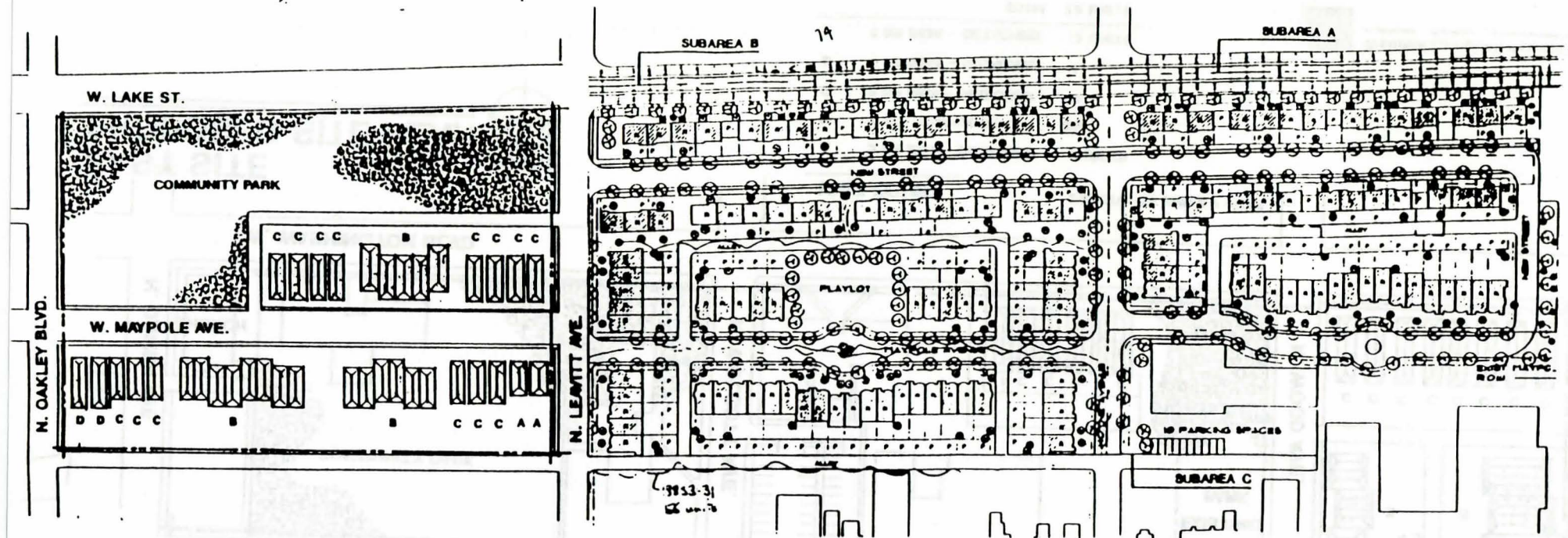
"The rental units proposed under the Homer Revitalization Plan should prove to be highly marketable. The proposed rents will be very affordable to households earning between 50% and 80% of median income. In addition to the competitive pricing and desirable product proposed under the plan, marketability as a mixed-income development will be greatly enhanced by the location and existing characteristics of the overall community."

EAST SITE PROPOSED SITE PLAN



UNIT COUNT		DENSITY 28 UNITS / ACRE
A	2 BR SEMI- DETACHED	6 UNITS
B	3 BR ROWHOUSE	36
C	3 BR SEMI- DETACHED	28
D	4 BR SEMI - DETACHED	4
E	5 BR SEMI - DETACHED	2 UNITS
TOTAL		76 UNITS

WCA Wendell Campbell Associates, Inc.
Architects - Planners - Construction Managers



WEST SITE PROPOSED SITE PLAN

NORTH



UNIT COUNT

DENSITY 11.7 UNITS / ACRE

A	2 BR SEMI- DETACHED	4 UNITS
B	3 BR ROWHOUSE	38
C	3 BR SEMI- DETACHED	28
D	4 BR SEMI- DETACHED	4 UNITS
TOTAL		74 UNITS



Wendell Campbell Associates, Inc.
Architects - Planners - Construction Managers

EXHIBIT D

APPLICATIONS FOR NEW CONSTRUCTION

1. Comparison of construction costs and acquisition or acquisition and rehabilitation for the proposed area - Not applicable (see 2 below)

2. Under the Gautreaux/Revitalizing Waiver issued by the Federal Court in Gautreaux Desegregation Case the area for potential replacement housing is limited to the areas generally bounded by Damen Avenue, Lake Street, Van Buren Street, and Western Avenue and by Talman Street, Lake Street, Warren Boulevard and Kedzie. Based on a Multiple listing Service search or currently available housing in these neighborhoods, CHA certifies that there is insufficient existing housing in the neighborhood to develop the replacement housing through acquisition of existing housing or through acquisition and rehabilitation.

The searches indicate that only 4 single family homes are available in the area with an average acquisition cost before rehabilitation of \$124,450 and that only 7 multi-family 2 and 3 flats are available with an average market price of \$204,714 before rehabilitation.

3. Although the application is for new construction, the CHA will accept acquisition of existing housing or acquisition and rehabilitation if HUD determines the CHA certification of insufficient housing does not support approval of new construction.

Date:

Sept 9, 1996

Signed:

John Nelson

John Nelson, Deputy Executive Director
for Operations
Chicago Housing Authority

Criteria: MC=A AR=8028 TYP=1.3 W=2632-3200 N=36-100 TPC<>C
 08/30/96 10:00 Active Detached Single Family Page: 1
 STAT LIST# HOUSE# CP STREET UNIT AREA LIST \$ TU B/B/B/B MT PG T REF#

 ACTV 96149439 2749 W LAKE 8028 49,000 5 2 1.0 34 A B 1
 ACTV 96160886 2728 W. WASHINGTON 8028 130,800 6 1 1.6 16 A C 2
 ACTV 96132013 2718 W WASHINGTON 00 8028 149,000 7 3 2.1 58 L C 3
 ACTV 96160432 2701 W WASHINGTON 8028 159,900 8 3 2.1 16 L C 4

TOTAL NR LISTINGS: 4 AVERG LIST PRICE: 124,450
 AVERG MARKET TIME: 31

**LSZ(DE):A-LT .25 AC,L-STD CHIC LOT **TPE(DE):B-1.5 STORY,C-2 STORY

TOTAL LISTINGS: 4 AVERG LIST PRICE: 124,450
 AVERG MARKET TIME: 31

Criteria: MC=A AR=8028 TYP=3 W=2632-3200 N=36-200 TYPE OF HOUSE MU=A,B
 TOT NUMBER UNITS=4

08/30/96 10:05 Active Two to Four Units Page: 1
 STAT LIST# HOUSE# CP STREET UNIT AREA LIST \$ TU B/B/B/B MT PG T REF#

 ACTV 96046807 3055 W WASHINGTON 8028 158,500 3 3/3/3/ 178 NO B 1

TOTAL MU LISTINGS: 1 AVERG LIST PRICE: 158,500
 AVERG MARKET TIME: 178

**TRU(MU):B-3 FLAT

TOTAL LISTINGS: 1 AVERG LIST PRICE: 158,500
 AVERG MARKET TIME: 178

Criteria: MC=A AR=8028 TYP=3 W=1600-2400 S=1-400 TYPE OF HOUSE MU=A,B
 TOT NUMBER UNITS=4

08/30/96 10:02 Active Two to Four Units Page: 1
 STAT LIST# HOUSE# CP STREET UNIT AREA LIST \$ TU B/B/B/B MT PG T REF#

 ACTV 96103185 212 S HAMILTON AV 8028 109,000 3 1/1/3/ 103 PO A 1
 ACTV 96046068 220 S HAMILTON 8028 197,500 2 3/2/ / 179 PO A 2
 ACTV 96046084 221 S HAMILTON 8028 198,000 2 3/2/ / 179 PO A 3
 ACTV 96118198 2261 W ADAMS 8028 110,000 3 2/2/2/ 79 PO B 4
 ACTV 96120458 2259 W ADAMS 8028 110,000 3 2/2/2/ 79 PO B 5

TOTAL MU LISTINGS: 5 AVERG LIST PRICE: 224,900
 AVERG MARKET TIME: 123

**TRU(MU):A=1 FLAT,B=3 FLAT

TOTAL LISTINGS: 5 AVERG LIST PRICE: 224,900
 AVERG MARKET TIME: 123

Criteria: MC=A AR=8028 TYP=3 W=1600-2400 N=1-200 TYPE OF HOUSE MU=A,B
 08/30/96 10:01 Active Two to Four Units Page: 1

STAT LIST# HOUSE# CP STREET UNIT AREA LIST \$ TU B/B/B/B MT PG T REF#

 ACTV 96115081 1629 W WARREN 8028 150,000 2 2/2/ / 82 NO A 1

TOTAL MU LISTINGS: 1 AVERG LIST PRICE: 150,000
 AVERG MARKET TIME: 82

**TRU(MU):A=2 FLAT

TOTAL LISTINGS: 1 AVERG LIST PRICE: 150,000
 AVERG MARKET TIME: 82

The priorities were established based on the input of the residents, appropriate departments of CHA, and the directives of the Court Consent Decree:

- ☐ To correct life, health and safety violations (e.g.: inoperable trash chutes, elevators, plumbing and compactors)
- ☐ To determine the operational condition of the community through file audits and operating assessments. Determine the status of recertifications and TARS.
- ☐ To determine the physical needs of the property through detailed maintenance inspections to enable us to prepare a comprehensive and accurate budget, maintenance schedule, and preventative maintenance program.
- ☐ To clean the years accumulation of trash and dirt from common areas and grounds.
- ☐ To assess the security requirements of the community and to strategically address these within the limitations of the budget.
- ☐ To immediately improve the image of the community through exterior cleanliness and professional business office/staff appearance.
- ☐ To determine the socioeconomic requirements of the residents and to begin empowerment programs.
- ☐ To work with the Task Forces, Committees, and interested parties to accomplish on a priority basis the agendas of each.
- ☐ To adhere to the letter of the Consent Decree.

2. Reward work and promote stability

CHA has already established ceiling rents and various income disregard incentives for residents. These programs are being carried out in conjunction with other government agencies (such as Aid to Dependent Children, the Governors office, the Mayors Office of Employment and Training), the Building Trades Union (with a Step Up Apprentice Program for the replacement housing), CHA Contractors and vendors (requiring 10% of contract amount for resident hiring or a 10% of contract proceeds to a fund to provide resident training), private management (before private management 1 of 65 management employees were residents, after 22 out of 52 are residents), and utilization of special Resident Company procurement regulations (allowing CHA to let contracts to resident owned businesses up to \$1 million without competition).

3. Tenant Screening and Lease Enforcement

The Court Consent Decree establishes a Tenant Screening Committee (TSC), a tenant screening process, and Continued Occupancy Standards. A six person TSC has been established to review tenant files, school records, criminal history, and credit records. The TSC also considers: experience in obtaining or seeking employment; ability of household to abide by terms of lease; the family's desire to avail itself of services to address their needs; and their willingness to become responsible households in the community. The TSC is made up of residents, CHA, management, and surrounding community members.

We want the community to have standards so that not just any resident will be approved for occupancy, while remaining cognizant of Fair Housing Law. Consistent and thorough resident screening can reduce the risk of leasing to the wrong resident. The Screening Committee and Pinnacle will establish and maintain a leasing program to assure that:

- ☐ The resident qualifying criteria will be in writing, clear and understandable.
- ☐ House Rules are stated in positive language and all residents will sign these rules when they move in, and again at lease renewal (or annually).
- ☐ We will discuss with the resident the circumstances under which they can be removed.
- ☐ We will distribute anti-drug booklets to children and adults at move-in.
- ☐ We will perform current home visits on all prospective residents.
- ☐ We will perform housekeeping inspections semi-annually.
- ☐ We will provide to each resident a home care manual and training on care of their apartment within 60 days of move-in.

The "Tenant Screening Committee" responsibility has been formalized into a three part process.

Part 1

Occupancy files will include all leasing information and background checks on all persons to occupy the unit over 15 years of age. A review of the applicable information will be made by the Assistant Business Manager in a format agreed to by the committee. This information will include:

1. Name of the Applicant
2. Age of the Applicant
3. Family Composition, ages and sex of children.
4. Current address and description of domicile
5. Summary of the Credit Report findings
6. Summary of the Background Check findings
7. Apartment size required.
8. Any other relative information

Part 2

After file approval by the Screening Committee on Part 1, Pinnacle will conduct home visits to assess housekeeping skills of the prospective resident. During this home visit a Needs Assessment will be completed. Should there be any extreme social concerns with the prospective resident, this will be brought to the attention of the Screening Committee during the second meeting in the process.

the CHA successfully met the expected goals for the quarter. The Authority received an overall average of "C" for its 1995 modernization score. The Authority is not on the "modernization troubled list."

3. Audit

a. CHA

The FY 94 found the CHA to be lacking in certain major systems critical to support the operations of the Authority. Immediately upon its arrival the new HUD management team developed a comprehensive plan to address the outstanding HUD findings; many of these findings have been successfully addressed as noted in the draft FY 95 audit.

b. Habitat (as receiver)

On June 21, 1996, upon completion of their audit of both the Scattered Site Program and the Chicago Metropolitan Housing Development Corporation (CMHDC)/The Habitat Company Joint Venture, Peat Marwick LLP issued the statement that the Scattered Site Demonstration Program complied, in all material respects, with all HUD and government accounting requirements and standards for the year ended December 31, 1995.

4. Implementation

a. CHA

The CHA is confident of its capacity to quickly implement the HOPE VI Revitalization Program at Homer Homes. First, as noted above, the CHA has made a strong commitment of time and resources to its redevelopment program and has been moving forward aggressively at four developments. In April 1996, the CHA established a separate Redevelopment Division, charged with oversight of these various redevelopment efforts. This division, having been intimately involved in developing the HOPE VI proposal will be perfectly poised to begin the necessary next steps in the event of an award.

b. Habitat (as receiver)

Implementation of the program can begin quickly under the development management of The Habitat Company since they are fully operational as Receiver for CHA's Scattered Site Program. Staffing (acquisition, planning, construction management, accounting, administration) and processes (RFPs, design, community relations, Section 3, etc.) are currently in operation.

5. Prior experience in financial / leveraging / partnership

As noted above, it is only under the leadership of the new management team that the Authority has made progress in the revitalization of its public housing communities. However, at each of its redevelopment projects described

above, the CHA is pursuing innovative financing models and working to promote public private partnerships. The CHA is committed to using federal dollars to leverage funding and support from the private market as well as other City agencies. The Chicago Metropolitan Housing Development Corporation (CMHDC) a CHA subsidiary may also play a significant role in pursuing innovative financing partnerships to ensure the implementation of the proposed revitalization plan.

6. Receivership

a. CHA

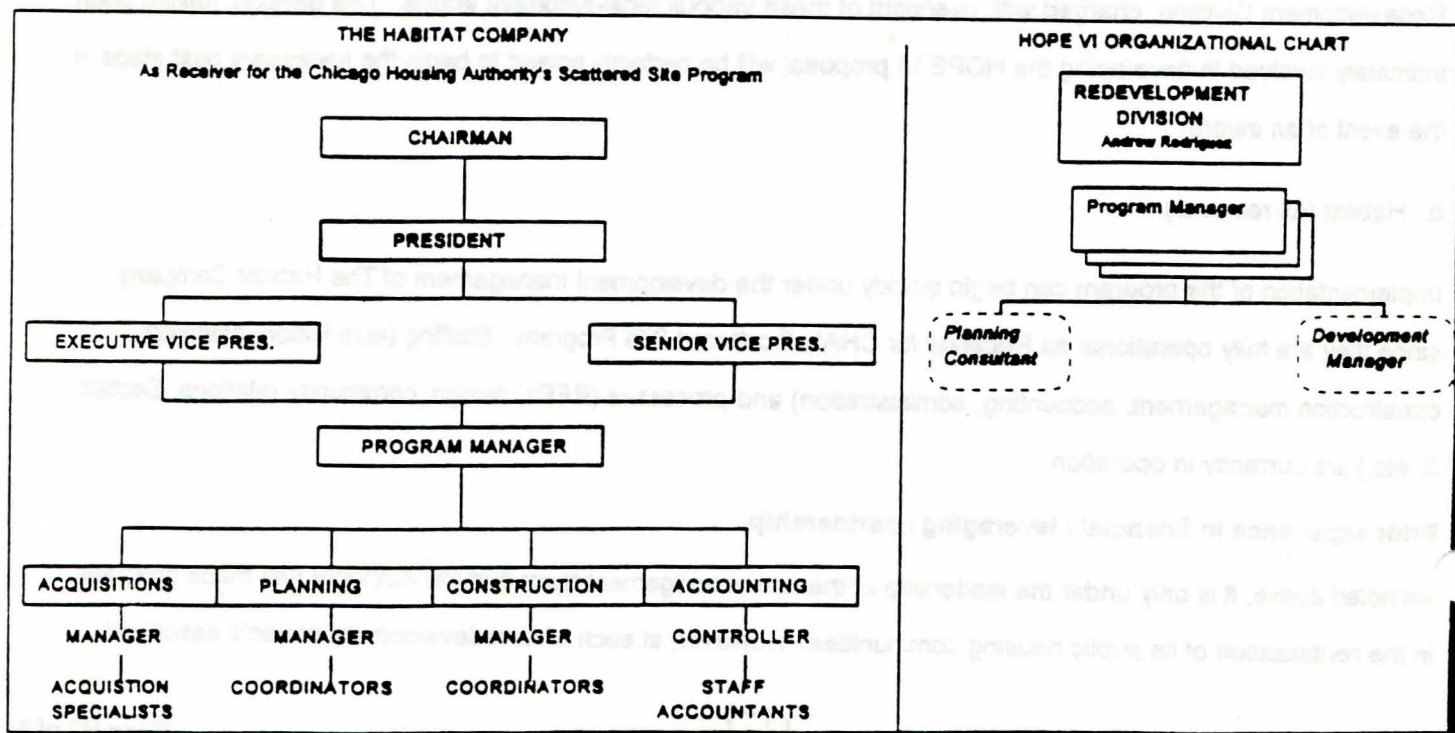
Following the takeover in 1995, HUD is still legally responsible for the operations of the Authority through the person of the Secretary's Representative—who acts as CHA Chairman.

b. Habitat (as receiver)

In 1987, The Habitat Company was appointed by Federal the Court as Receiver for CHA's Scattered Site (non-elderly) Housing Program. The last of the 1,608 units (approximately 250) are currently under construction. Based on Habitat's experience and success in completing these programs in a cost-effective and timely manner, the company is also under contract to CHA in joint venture with CMHDC, an affiliate of CHA, to develop 375 units under the "Demonstration Program." Habitat is responsible for the acquisition of land, planning, development, construction management and all related accounting functions.

7. Proposed Staffing

See organization charts from CHA and Habitat below.



April 2, 1996

City of Chicago
Richard M. Daley, Mayor

Office of Budget and Management

Diane Aigotti
Budget Director

City Hall, Room 604
121 North LaSalle Street
Chicago, Illinois 60602
(312) 744-3323
(312) 744-3618 (FAX)
(312) 744-3619 (T/T/DO)

Valerie Jarrett
Executive Vice President
Habitat Company
350 W. Hubbard
Suite 500
Chicago, IL 60610

Dear Valerie:

The City of Chicago has committed to fund the infrastructure for the Henry Horner development in an amount of \$2.55 million in 1996.

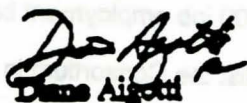
The following needs to be discussed among the City, Habitat Company and CHA:

- 1.) project schedule of improvements;
- 2.) who will build the improvements; and,
- 3.) utilities needed in the area.

This monetary commitment is contingent on the City doing the entire infrastructure development in one phase. One phase infrastructure development is much more efficient because construction can be done systematically. In addition, one phase implementation is cost effective because of economies of scale.

If you have any questions, please contact Rick Rice at 744-9568 or Julia Harris at 744-9153 of my staff.

Sincerely,



Diane Aigotti
Budget Director
City Of Chicago

cc: Roger Kiley
Terry Peterson
Russ Carlson
Rick Rice
Julia Harris



3. Partnerships

a. The CHA will contract with The Habitat Company as development manager for the implementation of the HOPE VI Program (Homer and Brooks Extension). The Habitat Company is a full service real estate brokerage, management and development company. Habitat is the court appointed receiver for the development of The Chicago Housing Authority's Scattered Site (non-elderly) program. Under this program, Habitat has completed over 1,350 units and has additional 330 units under construction. Habitat will be responsible for implementing the plan contained in this application. The financial arrangement will be similar to that approved by HUD for development as the Receiver. The Habitat administrative costs are budgeted at 4.5% of Total Development Cost and the development fee is 3%. Other administrative funds are for CHA/CMHDC staff and overhead.

The self-sufficiency program is being carried out through a joint partnership of two social service consortiums already serving the area: 1. The West Side Consortium has existed since 1985 and is made up of 18 organizations and 100 service providers who service the needs of the Near West Side generally and which has as its mission the "Raising of funds and other resources for the redevelopment, transformation and economic integration of the Near West Side" (fuller explanation of each member organizations background and service specialty can be found under Exhibit E,) and 2. New Unity West Organization, which is made up of over a dozen social service, health, day care, education, and job training providers who present serve Homer. This newly formed partnership brings hundreds of professionally trained staff and literally hundreds of years of experience in the comprehensive provision of services to Homer residents for self-sufficiency. The group will presently use existing funding to streamline the delivery of services, reduce duplication, and cooperate with government agencies seeking to create a "one stop" comprehensive social service mechanism to Homer residents. The group in conjunction with the HRC, BPI, and Central West Community Organization has pledged to seek additional funding necessary to accomplish a holistic program to bring residents to full self-sufficiency.

The University and the Illinois Medical Center Commission have pledged to assist in job development, job qualification review, training, and job placement within their joint 54,000 job employment base. Both groups will identify new and turnover jobs before they become available and assist the Consortium in training residents for these jobs.

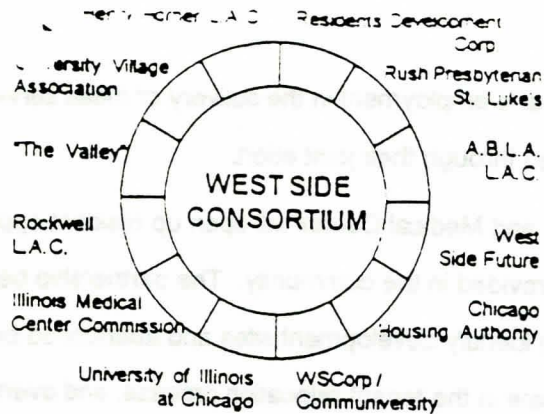
b. The contract with The Habitat Company as development manager will enhance the CHA ability to control costs and expand the supply of housing more quickly. Habitat is currently in the process of developing 466 Replacement Units at Homer and will provide continuity between the existing Replacement Program and the Gautreaux HOPE VI Program.

The West Side Consortium/New Unity West Partnership will guarantee existing providers and their local clients a voice in the type, scope, and delivery methods to be established to bring families to self-sufficiency. Further, these

groups have a record of resident training and employment in the delivery of these services. Duplication of services and economies of scale should be realized through their joint effort.

The partnership offered by the University and Medical Center will open up resident opportunities in education, training, and employment never before provided in the community. The partnership between Central West Community Organization and the HRC to identify development sites and abandoned buildings for replacement housing in the community, jointly participate in the tenant relocation process, and oversee the construction and long term property management of the new housing assures a quality control and consultation process that is uplifting the entire neighborhood.

c. Attached are copies of appropriate letters of support and commitment from the numerous parties involved.



September 5, 1996

To: Mr. Thom Finerty, Consultant to ABLA Local Advisory Council
and the Henry Horner Homes Local Advisory Council (HRC)

From: West Side Consortium, a Coalition of 18 Agencies and
Institutions Serving Chicago's Near West Side

Re: Support for the Application in Response to the Hope VI NOFA

The West Side Consortium networks with over 100 agencies which are now serving Near West Side residents in solving problems related to housing in deteriorating CHA buildings. Most of these families are struggling to move from welfare dependency to self-sufficiency. As residents fight for survival, West Side Future, West Side Consortium, Unity West Collaborative, and major private and public partners are committed to economic development, education, health, new housing development, social services, family case management, recreation and youth development, working with a community searching for opportunity.

The attached Self-Sufficiency Component of the NOFA and the letters of support are evidence of collaboration among social service and community development entities to work together for the common good of current CHA ABLA and Henry Horner Homes residents to take advantage of the new and replacement housing to be built with the funds from the CHA response to the U.S. Department of H.U.D.'s NOFA. Further, the letters of support are indicative of the Near West Side community's commitment to provide services necessary to move citizens from unemployment to jobs by seeking funds from the private/public sector and making use of all available resources in behalf of persons caught in welfare and poverty as they prepare for jobs. The Near West Side of Chicago can become a model of a transformed mixed income community for those who will work together with a vision of unity and opportunity for all. The West Side Consortium is evidence that when we look to the future with hope and well managed distribution of resources, the most difficult of urban problems can and will be solved.

Exhibit L - Resolution of Litigation

1. Gautreaux Consent Decree

This application is submitted pursuant to the following sentence in the NOFA for Hope VI Grants as published in the Federal Register at page 38025:

"In order to meet its obligation under the Gautreaux Consent Decree requiring HUD to provide comparable relief when HUD cannot provide Section 8 New Construction assistance, HUD may provide funding for up to 350 public housing replacement units to the Chicago Housing Authority, provided that the funding will fulfill an unsatisfied obligation under the Consent Decree to provide comparable relief, and provided, that the Chicago Housing Authority submits one or more applications for such public housing replacement units in response to this NOFA."

The Gautreaux plaintiffs have already indicated in an earlier letter to HUD (July 12 from Alexander Pollikoff to Secretary Cisneros) that they do not agree that their entitlement to a FY 1996 set-aside under the Gautreaux Consent Decree may be conditioned upon a CHA NOFA application. However, the Plaintiffs have indicated to HUD that should HUD fund the NOFA application it would be viewed as fulfilling the unsatisfied HUD obligation under the Gautreaux Consent Decree for the FY 1996 Gautreaux set-aside. Plaintiff class however has reserved their rights to seek a FY 1996 Gautreaux set-aside in other ways if the NOFA application is not honored.

The 150 units of replacement housing being applied for at the Homer Development and the 200 units being applied for at the ABLA (Brooks Extension) represent the set aside "application" referred to in the NOFA.

2. Homer Consent Decree

Under the Homer Consent Decree (pages 37 and 38):

"The federal defendants shall provide to the CHA defendants, subject to availability of Congressional appropriations, sufficient funding to enable the CHA defendants to carry out their replacement housing obligations over the schedule of the Homer Revitalization Program as described in Paragraph 2.C and Exhibit A of this Amended Consent Decree."

"The Federal defendants shall also consider, consistent with Congressional authorization and appropriation, CHA's application for \$50,000,000 in Hope VI/URD funds or similar funds, including any Capital and/or Management Improvement Funds, if and when the CHA is permitted by law to file such an application. The funding obligations of the federal defendants required by this Amended Decree are in addition to their obligations

to provide CHA defendants comprehensive Grant, operating subsidies, Gautreaux funding, and other HUD funding."

CHA as defendant has an ongoing requirement under the Consent Decree to apply for any funding that HUD may make available that could enable CHA to carry out their replacement housing obligations over the schedule of the Homer Revitalization Program. This application is submitted in order to fulfill that obligation by seeking 150 replacement housing units.

Item No. 1

August 15, 1996

MEMORANDUM TO: EDWIN EISENDRATH
CHAIRMAN, CHICAGO HOUSING AUTHORITY

SUBJECT: APPROVAL TO SUBMIT 42.9 MILLION DOLLAR FUNDING
REQUEST FOR PUBLIC HOUSING DEMOLITION, SITE
REVITALIZATION AND REPLACEMENT HOUSING (HOPE VI
PROGRAM) AT ABLA AND HENRY HORNER DEVELOPMENTS

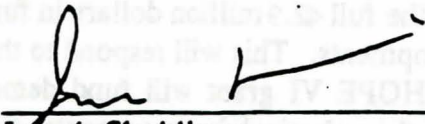
The U.S. Department of Housing and Urban Development (HUD) announced in a Notice of Fund Availability (NOFA) dated July 22, 1996 that over \$480 million in funding will be set aside for Public Housing demolition, site revitalization and replacement housing, hereafter referred to as the HOPE VI Program. Any Public Housing Authority (PHA) that owns or operates 10,000 or more public housing units is eligible to apply for up to and including \$40 million. The response to the NOFA is due on or before September 10, 1996.

The Authority will be applying for the full 42.9 million dollars in funding to be divided between the ABLA and Henry Horner developments. This will respond to the NOFA's set-aside of units for the Gautreaux plaintiff. The HOPE VI grant will fund demolition, the capital costs of reconstruction, rehabilitation and other physical improvements, the provision of replacement housing, management improvements, resident self-sufficiency programs and tenant-based assistance. At Henry Horner, this NOFA funding will help to further the planning process initiated with the court ordered consent decree. At ABLA, this will fund the first phase of a comprehensive redevelopment plan that will take place over the next five to ten years.

This NOFA funding request is being prepared by Thomas J. Finerty, Sole Proprietor, who was approved by the Authority and the residents to provide strategic planning services for these two developments.

**APPROVAL TO SUBMIT \$2.9 MILLION DOLLAR FUNDING REQUEST
FOR PUBLIC HOUSING DEMOLITION, SITE REVITALIZATION AND
REPLACEMENT HOUSING (HOPE VI PROGRAM) AT ABLA AND
HENRY HORNER DEVELOPMENTS**

This resolution would approve the submission of the NOFA funding request to the U.S. Department of Housing and Urban Development to obtain funding for a HOPE VI grant at ABLA and Henry Horner in the full amount of \$2.9 million to be divided between the two developments. In addition, this memorandum authorizes the Executive Director or his designee to execute any forms, certificates or supporting documents necessary in order to submit said NOFA funding request and hereby directs staff to prepare and execute all documents relating to seeking approval of the same.



Joseph Shuldiner
Executive Director

SIGNED ORIGINAL COPY IS ENCLOSED IN THE ORIGINAL BINDER
FOR ALBA HOMES

**Applicant/Recipient
Disclosure/Update Report**

U.S. Department of Housing
and Urban Development
Office of Ethics

OMB Approval No. 2510-0011 (exp. 3/31/98)

Instructions. (See Public Reporting Statement and Privacy Act Statement and detailed instructions on page 4.)

Applicant/Recipient Information

Indicate whether this is an Initial Report ☒ or an Update Report ☐

1. Applicant/Recipient Name, Address, and Phone (Include area code)

The Habitat Company As Reciver for The Chicago Housing Authority's
Scattered Site Program
350 W. Hubbard St.
Chicago, IL 60610 (312) 527-5400

Social Security Number or
Employer ID Number

36-272-5259 (Habitat)

2. Project Assisted/ to be Assisted (Project/Activity name and/or number and its location by Street address, City, and State)

Development of replacement Housing units for
Henry Horner Homes (IL2-91) & Extension (IL2-35), Chicago IL for 150 Units
Brooks Extension (IL2-31), Chiago, IL for 20 units

3. Assistance Requested/Received

350 Replacement housing units under the Gautreaux
Consent Decree

4. HUD Program

1996 HOPE VI
(Gautreaux)

5. Amount Requested/Received

\$ 18,435,300 (Horner)
24,483,250 (Brooks)

Part II. Threshold Determinations - Applicants Only

1. Are you requesting HUD assistance for a specific project or activity, as provided by 24 CFR Part 12, Subpart C, and have you received, or can you reasonably expect to receive, an aggregate amount of all forms of covered assistance from HUD, States, and units of general local government, in excess of \$200,000 during the Federal fiscal year (October 1 through September 30) in which the application is submitted?

☒ Yes ☐ No

If Yes, you must complete the remainder of this report.

If No, you must sign the certification below and answer the next question.

I hereby certify that this information is true. (Signature)

Date 9/4/96

2. Is this application for a specific housing project that involves other government assistance?

☒ Yes ☐ No

If Yes, you must complete the remainder of this report.

If No, you must sign this certification.

I hereby certify that this information is true. (Signature)

Date 9/4/96

If your answers to both questions are No, you do not need to complete Parts III, IV, or V, but you must sign the certification at the end of the report.

Part III. Other Government Assistance Provided/Requested

Department/State/Local Agency Name and Address	Program	Type of Assistance	Amount Requested/Provided
(See CHA's form detailing other assistance for this particular project. The assistance reported here is for funding managed by The Habitat Company as Receiver for CHA's Scattered Site Program.)			
HUD	CHA'S Scattered Site Program	Grants, Loans	\$110,820,785 (Total draws 1987-12/31/95)
HUD-Set Aside(Gautreaux)	IL06-P802-188	Public Housing Dev.	\$30,000,000
HUD-FY 95 Gautreaux Funds	IL06-P802-191	Replacement Housing Grant	\$19,999,400
HUD FY95 Public Housing Dev. Funds	IL06-P802-192	Replacement Housing	\$ 9,137,750
	IL06-P802-193	"	\$16,216,250

SIGNED ORIGINAL COPY IS
CLOSED IN THE ORIGINAL
FOLDER FOR ALBA HOMES

Is there other government assistance that is reportable in this Part and in Part V, but that is reported only in Part V? ☐ Yes ☒ No

If there is no other government assistance, you must certify that this information is true.

I hereby certify that this information is true. (Signature)

Date 9/4/96

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*** See Part III of Form HUD-2880 submitted by CHA is this application. ***

If there are no sources of funds, you must certify that this information is true.

I hereby certify that this information is true. (Signature)



Date 9/4/96

Use

*** See Part III of Form HUD 2880 submitted by CHA in this application. ***

SIGNED ORIGINAL COPY IS ENCLOSED IN THE ORIGINAL BINDER FOR ALBA HOMES

If there are no uses of funds, you must certify that this information is true.

I hereby certify that this information is true. (Signature)



Date 9/4/96

Certification

Warning: If you knowingly make a false statement on this form, you may be subject to civil or criminal penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosure of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.

I certify that this information is true and complete.

Signature



Date

9/4/96

Douglas R. Woodworth, President, The Habitat Company as Receiver
for CHA's Scattered Site Program

Page 3 of 7

Form HUD-2880 (3/92)
ref. Sec 102, HRA 1989; PL 101 - 235

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Exhibit M: Required Certifications

8. Evidence of Legal Eligibility.

HUD Washington has informed us this form is not required with this application.

9. Cooperation Agreement

HUD Washington has informed us this form is not required with this application.

F. REPLACEMENT HOUSING

1. FUNDING OF REPLACEMENT UNITS

The Chicago Housing Authority intends to Demolish 762 dwelling units in the Robert Taylor Homes, (IL2-37) at the following locations:

5326 S. State St.
5322 S. State St.
5323 S. Federal St.
5001 S. Federal St.
5041 S. Federal St.

The replacement units needed for the proposed demolition will take the form of new construction in vacant lots within the communities, rehabilitation of vacant properties within the community and Section 8 Certificates.

The funding source will be from the Public Housing Demolition, Site Revitalization and Replacement Housing Grant (HOPE VI) Fiscal Year 1996. To the extent that the funds are made available by HUD under the Section 8 Certificate, Rental Voucher, and/or Project Based Assistance Programs in connection with replacement housing under Section 18, the total number of additional units under the Public Housing Development application may be reduced commensurately.

2. UNIT SIZE/TYPE

The proposed replacement housing will consist of a variety of housing design types. The 300 off-site units in the community (some mix of new construction and rehab) 300 units built back on-site as townhouses during the future application phase (phase 2-applied for) will need to be 3 Bedrooms (about 60%) and 4 Bedrooms (21%) and 2 Bedroom (17%). The current arrangement in the highrises only shows 1 Bedrooms as 2%.

3. DEVELOPMENT METHOD

The Authority intends to develop the new development replacement units through new construction utilizing a modified Turnkey Development method, wherein CHA will acquire the sites required for construction.

4. LOCATION OF REPLACEMENT UNITS

At Taylor the revitalization plan calls for the demolition in phases of five (5) buildings. Replacement housing would take the form of new construction on vacant lots in the community,

rehabilitation of apartments in vacant buildings in the community and Section 8 Certificates. In addition to this activity in the community (defined as Mid-South/Grand Boulevard/Washington Park) the same activity is expected to take place in "non-impacted" Gautreaux neighborhoods.

5. DEMOLITION/DEVELOPMENT SCHEDULE

The following proposed schedule will serve as the timetable for the implementation of CHA's Replacement Housing Plan (RHP) in conformance with 24 CFR 970.11(d):

REPLACEMENT HOUSING PLAN TIME TABLE	
ACTIVITY DESCRIPTION	NUMBER OF MONTHS AFTER HUD APPROVAL OF DEMOLITION
All residents relocated from the development	24 Months
Identify sites for acquisition	12 Months
Select design teams for new construction units	6 Months
Sign contract for first new construction units	24 Months
Sign contract for last new construction units	24 Months
Occupancy (Date of Full Availability)	60 Months

The Authority will develop the replacement housing to meet all time frames and requirements of the HUD Public Housing Development Handbook 7417.1 REV-1 and related regulations.

6. RESIDENT RELOCATION

All tenants effected by the subject demolition will be relocated in accordance with HUD relocation requirements, and provided comparable housing in other CHA units.

7. SITE AND NEIGHBORHOOD STANDARDS.

The Chicago Housing Authority has included certifications in the demolition application for the subject properties that it will comply with all applicable regulations and assist HUD in performing the required site and neighborhood reviews for all replacement housing sites.



The Chicago Housing Authority

August 11, 1993

Board of Commissioners

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Vice Chairman

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Arthur M. Brazier
Milton Davis
Handy L. Lindsey, Jr.
Daniel Solis

Robert Whitfield
Chief Operating Officer

Dr. Daniel W. Blue, Jr.
Deputy Chief Operating Officer

F. Willis Caruso
General Counsel

Mr. Joseph P. Garaffa
Acting Regional Administrator
United States Department of Housing
and Urban Development
77 West Jackson Blvd-Room 2608
Chicago, Illinois 60604-3507

**Re: APPLICATION FOR DEMOLITION OF PARTIAL
LOW INCOME PUBLIC HOUSING PROJECT IL2-20**

Dear Mr. Garaffa:

This correspondence is written to transmit the Chicago Housing Authority's formal "Application for Demolition of Partial Low Income Public Housing Project - IL2-20", to your office for submission and approval.

The Application requests HUD approval for the demolition of a 262 unit building located at 1117-1119 N. Cleveland in the Frances Cabrini Homes Extension (IL2-20).

This Application has been prepared in compliance with 24 CFR Part 970, Public Housing Program-Demolition or Disposition of Public Housing Projects; HUD Handbook 7486.1, The Public Housing Demolition, Disposition and Conversion Handbook; HUD Notice PIH 93-17 and 57 FR 46074, Requirements Relating to the Resident Organizations' Opportunity to purchase Development proposed for Demolition.

The demolition of this nineteen-story vacant structure is an integral part of the Authority's Urban Revitalization Demonstration (URD) proposal submitted to the HUD Washington D.C. office in May, 1993.

In this proposal, the Authority requested \$50 million dollars in URD funding to aid in its comprehensive plan for the physical, social and economic restructuring and rebirth of the Cabrini-Green communities.

APPLICATION FOR DEMOLITION OF PARTIAL
LOW INCOME PUBLIC HOUSING PROJECT IL2-20

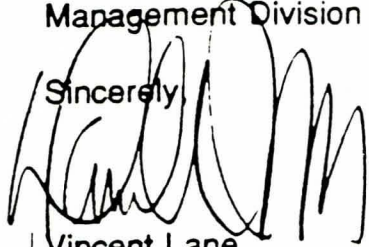
-2-

Therefore, approval of this demolition request is vital to the Authority's efforts to rebuild and extend the life of this public housing development through the reduction of housing density.

The Demolition Plan and the actions proposed therein are in compliance with applicable HUD regulations and: (1) the relocation resources are decent, safe and sanitary and affordable, (2) no demolition or disposition action shall take place until all displaced tenants have been successfully relocated, unless there is to be staged relocation and staged demolition or disposition, and (3) that PHA action is in compliance with applicable civil rights laws and compliance agreements.

Should you have any further questions concerning this Application, please contact Lela J. Davis, Assistant to the Director, Construction Management Division at (312) 567-7861.

Sincerely,

A large, stylized handwritten signature in black ink, likely belonging to Vincent Lane, the Chairman.

Vincent Lane
Chairman

VL/LJD;slw

3. DEVELOPMENT METHOD

The Authority intends to develop the 190 new development replacement units through new construction utilizing a modified Turnkey Development method, wherein CHA will acquire the sites required for construction.

The additional 72 replacement units are part of the Authority's Urban Revitalization Demonstration program application, which permitted treatment of up to 500 units of distressed housing in one development. The Authority intends to combine its development and rental program in the Cabrini area with a Mixed Income New Communities Strategy (MINCS) Program, as detailed in the URD application submitted to HUD on May 5, 1993.

Replacement of these URD units in the Cabrini Extension will be provided by a variety of means, including the development of new low-income units in multi-family housing complexes on existing large sites in the community surrounding area and in other areas throughout the city and suburbs; rehabilitated apartments in the Cabrini complex; renovated existing housing in the surrounding community; rental or purchase of housing in HUD, Fannie Mae, and Freddie Mac foreclosed or assigned properties through the Chicago metropolitan area.

4. LOCATION OF REPLACEMENT UNITS

The proposed new units will be built on scattered sites in community areas around the Cabrini-Green, and in other sites throughout the Chicago Metropolitan area, in accordance with the Consent Decree (and subsequent orders) of the Gaurteaux litigation. All sites will be selected in accordance with the City of Chicago's Comprehensive Housing Affordability Strategy (CHAS).

Of the 500 total URD units, the Authority plans to replace 285 by constructing new low-income housing units on vacant land which presently exists in a one mile by three quarter mile area immediately surrounding (and including) the Cabrini-Green complex. The proposed replacement housing will be matched with development or market rate units to promote and economic, racial and cultural mix. The areas bounded by North Avenue on the North; Wells Street on the East; Superior on the South; and Chicago River and Halsted on the West.

The area contains over 40 acres of land, with about 25 acres of 62 percent already in public ownership by CHA, the Board of Education, or the City of Chicago. The remaining 16-plus acres of existing vacant land will be acquired on the open market at the fair market value or through eminent domain with court established compensation.



The Chicago Housing Authority

May 4, 1993

Board of Commissioners

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Robert Whitfield
Chief Operating Officer

Dr. Daniel W. Blue, Jr.
Deputy Chief Operating Officer

F. Willis Caruso
General Counsel

Ms. Janice Rattley

Director

Office of Construction, Rehabilitation
and Maintenance

U.S. Department of Housing and Urban Development

451 Seventh St. N.W.

Room 4138

Washington, DC 20410

Dear Ms. Rattley:

I am pleased to forward to you the Chicago Housing Authority's application for funding under the Urban Revitalization Demonstration Program.

We are requesting \$50,000,000 to help support a revitalization plan for the Cabrini-Green public housing development and, specifically, the Cabrini Extension community.

In budgeting for this comprehensive program, we have allocated 80 percent of the proposed funding for hard, or construction-related costs, and 20 percent for supportive services and the community service program.

Cabrini-Green is well known both in Chicago and across the country as an example of the devastation created by concentrated and isolated poverty in a distressed public housing community. Through this program, we hope to make it a national model for what public housing can become through the support and cooperation of residents, local government, local businesses and concerned citizens.

Thank you for your consideration. Please feel free to contact me or Kristin Anderson at (312) 791-8513 if you should have any questions or need additional information.

Sincerely,

Robert D. Whitfield
Chief Operating Officer

EXHIBIT

3

CHA proposes to replace every very low income unit that is lost as a result of either clearance or MINCS activity after rehabilitation. Since the buildings proposed for such treatment are either already completely vacant or only partially occupied, more replacement units will be made available prior to relocation than the number of residents affected under the plan. As of February, 1993, the structures in the Funding Area contained 296 occupied units and CHA is proposing to replace 690 units of housing. The actual number of households affected will be dependent upon the number of units occupied at the point that the program is funded and ready to proceed. CHA will offer relocation to all leaseholders affected by this plan in full compliance with applicable laws and regulations.

5.2 Demolition and Replacement Housing

Removal of Structures

CHA proposes to clear three (3) of the four (4) structures in the funding area for a net removal of 660 units. It is noted that 398 units are located in two vacant and closed structures and the third structure is only partially occupied. CHA proposes to provide one for one replacement housing for every housing unit demolished. CHA recognizes that the URD grant is limited to treatment of 500 units and proposes to supplement the demonstration with Comprehensive Grant funding for the demolition of the additional 160 units.

Development of New Housing/MINCS

CHA projects that a total of 690 low income units will be removed by a combination of clearance (660 units) and conversion of some rehabilitated units to mixed income usage (30 units

MINCS). Since the URD regulations limit eligibility to 500 units for funding, CHA proposes to fund the replacement of the additional 190 low income units required with the use of Public Housing Development funds from a set aside under a Federal Court Order in the Gautreaux Case or from Public Housing Development Funding (which CHA will seek under a pending HUD NOFA), or a combination of both, dependent upon funding availability. Exhibit 12 summarizes the replacement needs and source of funding for the replacement housing. The replacement units will be provided through a variety of means, including: development of new low-income units in multi-family housing complexes on existing large sites in the surrounding community; development of single family and 2 to 4 unit clusters in the surrounding area, city wide, and the suburbs; rehabilitated apartments in the Cabrini complex; renovated existing housing in the surrounding community; rental or apartments in the Near North and downtown area; and rental or purchase of housing in HUD, Fannie Mae, and Freddie Mac foreclosed or assigned property throughout the Chicago Metropolitan Area.

Also, Section 8 certificates will be made available to residents to aid in relocation. These certificates will be from the special set aside for this program which will not require persons relocated to wait on any list. The plan for their use is more fully described later in this narrative. If the number of relocated leaseholders who wish to obtain a Section 8 certificate is greater than the number set aside, a lottery will be conducted to determine the recipients.

No demolition of any units will occur until all leaseholders of the targeted buildings have been relocated and are actually living in replacement units.

EXHIBIT A STATEMENT OF OBJECTIVES AND GOALS

The State Street Corridor, known locally as Chicago's "other magnificent mile" contains 8,215 units of public housing concentrated in five high-density housing developments that form the western border of the Mid-South community. Utilizing the HOPE VI Program, the Chicago Housing Authority has elected to choose two of their State Street developments: Dearborn Homes and Robert Taylor Homes as the sites for redevelopment. This plan to revitalize Dearborn Homes and Robert Taylor Homes - B complements efforts currently underway by local community organizations and institutions to revitalize the neighborhood while simultaneously maintaining a housing stock that is affordable for all income groups. The Mid South Strategic Development Plan: Restoring Bronzeville, is a document recently prepared via a joint public-private-community effort. The Plan recognizes the contributions this area has made to Chicago's history. Using this theme, community groups are beginning to implement various projects. This Plan's recommendations specific to the State Street Corridor are included in Section I.2.b - Letters of Support.

In addition to redeveloping public housing, the corridor's HOPE VI Redevelopment Plan represents an effort for residents to participate in the revitalization efforts underway in the greater Mid-South community. Under this application, more than 887 units of public housing will be demolished for the State Street corridor.

Through this HOPE VI Redevelopment Plan, CHA together with the residents of Robert Taylor Homes - B will:

A) *Change the physical shape of public housing*, through the selective demolition of several buildings at key locations on the site. This will occur in two phases which are discussed in Exhibit C. There are benchmarks which must be achieved with each component of the plan. Clearance of this land will provide new jobs in a new industrial park; and better quality housing, in the form of 250 - 300 new and rehabilitated units located off-site. Rehabilitating abandoned apartment buildings and constructing new townhouse units on blocks where vacant lots proliferate will help stabilize the area.

B) *Establish positive incentives for resident self-sufficiency*, by assessing the existing service providers to better match resident needs, and establishing the CHA Family Investment Center that will coordinate current family support services with job training needs of future employers located in the new industrial park. Residents will also be able to enroll in a construction training program targeted for the rehabilitation and new construction of off-site replacement units.

C) *Enforce tough expectations through strict occupancy and eviction rules*. A major component of the Redevelopment Plan is the establishment of a new Orientation Program for those residents choosing to remain as well as others selecting Section 8. All affected residents will be assessed in terms of their past record as

a "good tenant". This assessment will determine whether a tenant pays their rent and utility bills regularly over the period of one year, does not exhibit "anti-social" behavior and engages in activities that promote the general welfare of other residents at the development (i.e., community service).

D) ***Lessen concentrations of poverty***, by reducing the density of dwelling units from 2,400 to 1,610 over five years and by rehabilitating or constructing 250 to 300 units off-site as partial replacement housing scattered throughout the greater Mid-South community. The development of a new industrial park, construction of a new medical/commercial shopping center and re-establishment of the City's street grid system, all serve to end the isolation of public housing residents from the rest of the neighborhood and make a more complete community.

E) ***Forge partnerships***, by identifying additional resources available to residents transitioning out of the neighborhood and available to residents choosing to remain. Specifically, the Family Investment Center and new Empowerment Zone programs focusing on Robert Taylor Homes residents will address the comprehensive social needs of this population. Other mechanisms such as Tax Increment Financing and various City of Chicago development programs can be targeted towards residential and non-residential redevelopment components of the plan.

Zone funding for the rehabilitation of the former Charles Hayes Center. The Center will house numerous social service programs and become a one-stop center dedicated to family support known as the Family Investment Center. This building will be located in the neighborhood at 48th and Wabash, two blocks from the site's residential component.

3. On-Site Replacement Housing

There is no on-site replacement housing proposed in this application. As part of Phase 2, and under a future NOFA, the CHA will apply for 300 on-site replacement units to be constructed following the demolition of the remaining buildings after Phase 1.

4. Off-Site Replacement Housing

This application proposes the rehabilitation/new construction of 250-300 units of housing off-site. The housing stock located in the immediate area of the Mid South community comprises a mixture of medium sized abandoned 3-story buildings of 18 to 24 units and number two and three-flat greystone and bungalow structures. (See photographs at the back of this exhibit). In addition, there are presently 267 vacant parcels owned by the City of Chicago in the Mid-South community. The plan recommended for off-site replacement housing is to develop half the units as new construction and half as rehabilitation. In the case of new construction, sites should be scattered throughout the greater community between Cermak and 67th Street, the Lakefront to Halsted Street. Rehabilitated buildings designated should allocate no more than 20 - 25% of their finished units for public housing residents. Both approaches are structured to enhance the current trend in this community towards full revitalization while maintaining a stock of affordable housing.

5. Section 8 Certificates Used for Replacement Housing

The Chicago Housing Authority has applied for 762 Section 8 Certificates under their Vacancy Reduction Plan, to cover the five buildings proposed for demolition under the HOPE VI plan. Tenant-based assistance in the form of Section 8 relocation assistance to families living in these units has been applied for under a separate application submitted on September 5, 1996 - the Section 8 NOFA.

6. Necessary Site Acquisitions

It is anticipated that vacant land, presently owned by the City of Chicago, will be used for the majority of the new construction activity. The City has a limited supply of vacant buildings, however, a good number of

EXHIBIT D. APPLICATION FOR NEW CONSTRUCTION

1. Comparison of Construction Costs

The redevelopment plan for Robert Taylor Homes recommends demolition of the five buildings, over rehabilitation in place. A comparison of the costs associated with rehabbing the five buildings and the costs associated with acquiring vacant parcels for the construction of 250 new replacement units is detailed on the following page. The rehabilitation cost of the five buildings is estimated at \$46,625,000 or \$59,000 per dwelling unit versus \$28,000,000 for new construction of 250 single family homes (at an average cost of \$114,000/3 bedroom home).

In terms of multi-family properties of 4 units or more, there are only 14 available, with an average sale price of \$308,850. These 14 buildings represent a total of 180 dwelling units. The Multiple Listing Service (MLS) search for the area between 39th and 67th Streets, the Dan Ryan Expressway and Cottage Grove Avenue revealed a total of 15 units of housing available of three units or less. These buildings have an average sale price of \$89,693 as-is.

2. Certification of Sufficient Housing Available to Accommodate Replacement Units

Grand Boulevard has ample vacant lots and abandoned buildings that can provide affordable, low density housing options for residents and which could serve as construction training sites for Taylor residents interested in participating in that jobs program. There are only 4 privately listed vacant lots in the MLS and these sell for an average price of \$12,289; however, the City of Chicago lists more than 267 vacant parcels between 39th and 57th Streets alone.

3. CHA Acceptance of Funds for Acquisition and Rehabilitation Over New Construction

CHA will accept acquisition of existing housing or acquisition and rehabilitation if HUD determines the CHA certification of insufficient housing does not support approval of new construction.

Date: 9-9-96

Signed:


John Nelson, Deputy Executive Director for Operations
Chicago Housing Authority

Criteria: MC=A AR=8038,8033,8036 TYP=DE,VL

09/06/96 08:24

Active Detached Single Family

Page: 1

LIST#	HOUSE#	CP	STREET	UNIT	AREA	LIST \$	RM	BR	BTH	MT	LS	T	REF#
ACTV 96118553	1249	S	PLYMOUTH		8033	379,900	8	3	2.1	85	L	C	1
ACTV 96099723	1250	S	STATE		8033	379,950	9	4	3.5	113		C	2
ACTV 96045903	1334	S	PLYMOUTH CT	1334	8033	749,000	13	5	3.1	187		C	3
ACTV 96109636	6725		WINCHESTER		8036	45,600	7	4	1.0	98	A	C	4
ACTV 96091096	4312	S	BERKELEY		8036	79,900	8	4	2.0	124	A	C	5
ACTV 96128996	4035	S.	ELLIS		8036	199,000	7	3	2.5	71		C	6
ACTV 96167803	4336	S	OAKENWALD		8036	243,000	7	3	2.5	12		C	7
ACTV 96150988	4032	S.	ELLIS	-	8036	350,000	11	6	2.0	38	A	D	8
FIN 96074157	4315	S	PRAIRIE		8038	30,000	6	3	1.0	151		C	9
ACTV 96118148	655	E	BOWEN		8038	39,500	9	5	1.0	86		D	10
ACTV 96169265	4403	S	PRAIRIE		8038	45,000	8	4	1.0	10	L	C	11
ACTV 96061517	4734	S	EVANS		8038	140,000	8	4	2.0	165		C	12
NEW 96171481	4730	S	EVANS		8038	156,000	7	4	1.1	6		C	13
ACTV 96137051	4337	S	FORESTVILLE		8038	175,000	8	3	2.1	57	K	C	14
ACTV 96160616	4335	S	FORESTVILLE		8038	180,000	8	3	2.1	24	K	C	15
ACTV 96061571	4737	S	LANGLEY		8038	190,000	13	5	2.0	165		C	16
ACTV 96030301	4352	S	KING DRIVE		8038	295,000	12	4	3.0	208		D	17
ACTV 95206561	4442	S	KING DRIVE		8038	395,000	20	14	9.5	290	K	E	18

TOTAL DE LISTINGS: 18

AVRG LIST PRICE: 226,213

AVRG MARKET TIME: 105

Active Land

LIST#	HOUSE#	CP	STREET	SLN#	AREA	LIST \$	LS	LD	MT	AZN	REF#
ACTV 95095659	1321	S	MICHIGAN		8033	195,000	A		469	C-2	19
ACTV 96148672	4849	S	ST. LAWRENC		8038	4,600	L		42	R-5	20
ACTV 96148679	4820	S	CHAMPLAIN		8038	4,658	L		42	R-5	21
ACTV 96118557	220	E	46TH STREET		8038	14,900	L		85	R3	22
ACTV 96057398	4910	S	FORRESTVILL		8038	25,000	K	C	172	RES	23

TOTAL VL LISTINGS: 5

AVRG LIST PRICE: 48,831

AVRG MARKET TIME: 162

**LSZ(DE):A=LT .25 AC,K=OVRSD CHIC LOT,L=STD CHIC LOT **TPE(DE):,C=2 STORY,
D=3 STORY,E=4+ STORY **LSZ(VL):A=LT .25 AC,K=OVRSD CHIC LOT,L=STD CHIC LOT
**LND(VL):,C=CLEARED

TOTAL LISTINGS: 23

AVRG LIST PRICE: 187,652

AVRG MARKET TIME: 117

EXHIBIT H. CAPABILITY

Since taking control of the CHA in 1995, the new management team has overhauled the operations of this troubled agency. Rent collection is up by 60%; evictions for both non payment of rent and criminal activity (One Strike You're Out) are up by 35%; administrative costs are down by 20%; rehabilitation of vacant units has increased by 50%; and inspection of existing stock is 100% complete.

1. Redevelopment Efforts:

One element of CHA's new mission is a commitment to revitalize several developments. An important example is the \$50 million HOPE VI Cabrini-Green plan. Implementation of CHA's original plan (which included demolition of 660 units and construction of 493 replacement units) was stalled due to the inability to identify sufficient land and the private financing. The new CHA management team jump-started the program by demolishing two vacant high-rises and issuing an RFP to identify a qualified developer. The CHA also initiated a dialogue with the City of Chicago. The result was the announcement in July, 1996 of a five-six year comprehensive neighborhood redevelopment plan, which includes approximately 2,000 new mixed income housing units (650 public housing replacement units), a new police station, new schools, a new library and new commercial/retail establishments. Demolition has also been significantly expanded.

The CHA is also pursuing a comprehensive revitalization effort at the Henry Horner Homes. Pursuant to a federal court ordered Consent Decree, the CHA will invest over \$74 million (comp grant, gautreaux set-aside HUD development funds, City infrastructure contributions) in the revitalization of Horner. To date, CHA has demolished 347 units; begun rehabilitation of 109 units and construction of 56 units. In 1995 the residents of the Darrow Homes development agreed with the CHA that \$8.5 in MROP funds would be converted from rehabilitation funds to new construction funds and that their four high rises be demolished. The CHA has worked closely with residents to develop a plan for the redevelopment of their community. At present, the plan calls for the demolition of 480 units to be replaced by 120 units on-site. In July, 1996, demolition of the first high rise was begun.

Robert Taylor - B

consulted quite closely in developing plans. Several meetings have been held with resident leaders as well as with building residents to discuss the plan and its implementation. Resident support and involvement will greatly facilitate the implementation of the plan. Third, the CHA and the planning consultants have also met with numerous community representatives and City of Chicago officials to discuss the proposed revitalization plan. These individuals and organizations have expressed their interest in working with the CHA to foster the speedy implementation of the plan.

5. PRIOR EXPERIENCE in FINANCING/LEVERAGING/PARTNERSHIP

At each of its redevelopment projects described above, the CHA is pursuing innovative financing models and working to promote public private partnerships. The CHA is committed to using federal dollars to leverage funding and support from the private market as well as other City agencies.

6. Receivership

HUD is legally responsible for the operations of the Authority through the person of the Secretary's Representative--who acts as CHA Chairman. In its Scattered Site turnkey development program and in some components of the Henry Horner redevelopment program, the CHA has been assisted by the Habitat Company, the court appointed development receiver.

7. PROPOSED STAFFING

The Redevelopment Plan at Robert Taylor - B will come under the oversight of the Redevelopment Division, headed by Andrew Rodriguez. Mr. Rodriguez has been at the Authority for over eight years and has been most recently the Director of Modernization and Construction Management. Prior to coming to the Authority, Mr. Rodriguez worked with HUD in a variety of capacities relative to housing finance, maintenance and development. It is anticipated that a program manager will be hired to administer the Robert Taylor - B Revitalization program. This individual will be expected to have planning experience, familiarity with the community in which Robert Taylor - B is located, etc. It is also expected that the planning consultant engaged to initiate the planning process will be retained to provide additional detail to the plan.

EXHIBIT L - RESOLUTION OF LITIGATION

Not Applicable for this HOPE VI Application

HOPE VI
REVISED PLAN
TO
REVITALIZE CABRINI-GREEN
CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
MARCH 15, 1995

REPLACEMENT HOUSING BY BEDROOM SIZE

BUILDING ADDRESS	1-BR	2-BR	3-BR	4-BR	TOTAL
1158 N. Cleveland*	4	13	12	1	30
1150-1160 N. Sedgwick	36	110	112	4	262
1157-1159 N. Cleveland	18	56	58	4	136
1117-1119 N. Cleveland**	36	110	112	4	262
TOTAL	94	289	294	13	690

* These units are replaced due to leasing to families at 50-80% of median income, not demolition. Total building count is 65 units of which 5 units will become non-residential common area, 30 units will be leased to existing public housing residents and 30 units will be leased to public housing eligible tenants with incomes at 50% to 80% of median.

** Of the 262 replacement units for 1117-1119 North Cleveland, 72 will be replaced with Bond proceeds and 190 will be replaced with Public Housing Development Program funds.

E. DEVELOPMENT METHOD

The units will be developed under the modified "Turnkey Method", pursuant to contracts between CMHDC and qualified developers. Properties will be acquired by CMHDC before completion of the necessary construction or rehabilitation and, subject to appropriate assurances of completion by the developer, CMHDC would draw on the Bond proceeds to pay the costs of completing the project. Each project will be undertaken pursuant to a proposal from a qualified developer, such proposal to be approved by CMHDC and by the Program Manager. It is assumed that the Program Manager will be acceptable to HUD as such fiduciary for CMHDC. It is contemplated that to qualify for the Program, a developer would have to be a joint venture between a non-profit sponsor and an experienced financially sound for-profit entity.

F. LOCATION OF REPLACEMENT UNITS

The replacement units will be developed in five separate mixed income Developments, as preliminarily depicted on the Preliminary Phase I Site Plans and filed under separate cover as part of this presentation. All sites will comply with applicable HUD requirements,

the City of Chicago Comprehensive Housing Affordability Strategy (CHAS), and the locational requirements of the *Gautreaux v. Chicago Housing Authority* litigation, or waivers thereof will be sought.

G. DEVELOPMENT SCHEDULE

The units will be developed in accordance with the Plan for Implementation timeframes and schedule incorporated in the Revised Plan. The preliminary schedule, which is subject to change and will be refined in connection with the finalization of the Supplemental Replacement Housing Plan by May 15, 1995, is as follows:

HUD approves Revised Plan and Program	April 1995
Bonds are issued	July 1995
RFPs for housing developers are advertised	July 1995
Developers are selected	August 1995
Construction/rehabilitation begins	September 1995
Occupancy	December 1996 through December 1998

H. RELOCATION PLAN

The Revised Plan will comply with the provision of Article IV, paragraph 3, and Article XVI, paragraph 11 of the Implementation Grant Agreement. Two HOPE VI Buildings, 1150-1160 North Sedgwick and 1158 North Cleveland are currently 75% to 80% occupied.

The occupied buildings will require relocation of all residents. CHA management and CMHDC will work jointly to relocate or transfer residents in accordance with the relocation outline and in compliance with all outstanding laws and regulations including the Uniform Relocation Act.

The relocation process will occur in two phases. 1158 North Cleveland will be the first relocation site, followed by the relocation of the residents of 1150-1160 North Sedgwick. Three primary relocation options will be offered to residents. They include: Section 8 (permanent option), transfer to CHA Scattered Sites (permanent option) and transfer to other suitable CHA units, either in Cabrini-Green or other CHA developments (temporary option).

The relocation process began with a general relocation meeting held on March 8, 1995. During the meeting, residents were presented information concerning the various

Dearborn Homes

room, laundry room and building support spaces for mechanical equipment, trash collection, resident mailboxes and reception desk. The 6-story buildings will provide additional community space by converting former dwelling units to common areas for tenant storage, social service agencies and/or resident businesses. A space for future laundry rooms will be allocated with proper plumbing and electricity provided for installation of future additional laundry rooms in the 6-story buildings (See "Proposed Ground Floor Plan" included at the end of this exhibit). In addition to building community space, the redeveloped Dearborn Homes site will have designated locales for gardens and playlots and funding is expected from the Chicago Park District for renovation/enlargement of the Williams Park Field House.

3. On-Site Replacement Housing

In place of one of the proposed buildings for demolition (2971 S. Federal), a new 80-unit (1 Bedroom) building will be constructed for senior citizens. Dearborn Homes has a number of current residents over the age of 60 (60 people) and 27 residents between the ages of 55 and 59. The creation of a state of the art building, will provide better opportunities for managers to match unit size with household size, and provide seniors choosing to remain at Dearborn Homes, with the opportunity to move into housing best suited to their physical needs. The new building will lessen the concentrations of poverty by marketing the units to eligible residents within and outside of Dearborn Homes (i.e., to the congregations of area churches).

4. Off-Site Replacement Housing

There is no off-site replacement housing proposed under this application for revitalization.

5. Section 8 Certificates Used for Replacement Housing

The Chicago Housing Authority applied on September 5, 1995, for 96 Section 8 certificates under the Section 8 NOFA recently released by HUD. Results of a CHA Housing Choice Survey conducted in early June, revealed a 45% preference among residents of Dearborn Homes for Section 8 as their first housing choice preference. However, resident leadership believes that more people would choose to stay at Dearborn once some of the components of the Redevelopment Plan are in place. Therefore, the CHA is only requesting Section 8

F. REPLACEMENT HOUSING

Robert Taylor Homes is one of the largest distressed public housing development in the country. It houses 4231 dwelling units on 92 acres of land creating an unbalanced proportion of 46 units per acre. It is one of five developments which comprise "the State Street Corridor," the nation's largest and most *densely populated* continuous stretch of public housing.

In our comprehensive efforts to begin the revitalization of the Robert Taylor Homes and community it is mandatory that *De-densification* occur. It is for that reason *No new replacement housing is being proposed in this application.*

Although this demolition application is being submitted independently its intent and direction are consistent and coordinated with the revitalization concepts of our HOPE VI submission.



The Chicago Housing Authority

Edwin Eisendrath
Chairman

Joseph Shuldiner
Executive Director

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

Ed Moses
*Deputy Executive
Director for Community
Relations & Involvement*

John Nelson
*Deputy Executive
Director for Operations*

Ana Vargas
*Deputy Executive
Director for Finance and
Administration*

Jerome M. Butler
General Counsel

September 9, 1996

Mr. Richard B. Kruschke
Director
Office of Public Housing, Illinois
State Office
77 West Jackson Boulevard
Room 2401
Chicago, Illinois 60604-3507

Dear Mr. Kruschke:

**SUBJECT: APPLICATION FOR PARTIAL DEMOLITION OF LOW
INCOME PUBLIC HOUSING - HENRY HORNER
HOMES, PROJECT NO. IL2-19**

This correspondence is written to transmit the Chicago Housing Authority's (CHA's) formal "Application for Partial Demolition of Low Income Public Housing - Henry Horner Homes, Project No. IL2-19", to your office for approval. The Application requests that the U.S. Department of Housing and Urban Development (HUD) grant approval for demolition of 465 units at the following buildings in the Henry Horner Homes Development:

120 N. Hermitage/111 N. Wood Street	234 Units
141 N. Wolcott/1847 W. Lake Street	231 Units

The Application has been prepared in compliance with 24 CFR part 970, Public Housing Program - Demolition or Disposition of Public Housing Projects; HUD Notice PIH 93-17 and 57 FR 46074, Requirements Relating to the Resident Organizations' Opportunity to Purchase Development Proposed for Demolition.

Page 2

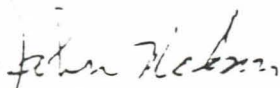
9/9/96 Letter to Richard Kruschke, Director, Office of Public Housing, Illinois State Office, HUD - Application for Partial Demolition of Low Income Public Housing - Henry Horner Homes Development, Project No. IL2-19

These buildings are being proposed for demolition due to their physical condition as well as de-densification of the development. Approval of this demolition request is vital to the Authority's efforts to rebuild and extend the life of this public housing development through the reduction of housing density.

The Demolition Plan and the actions proposed therein are in compliance with applicable HUD regulations and the PHA's action is in compliance with applicable civil rights laws and compliance agreements.

Should you have any further questions concerning the Application, please contact Andrew Rodriguez, Director, Redevelopment Division at (312) 791-8500, extension 4501.

Sincerely,



John Nelson
Deputy Executive Director, Operations

Enclosure

JN/AR/ds

a:\drt\demolition.102

A:RKDEMHH/EPH6

4. LOCATION OF REPLACEMENT UNITS

In accordance with the Comprehensive Revitalization Plan currently under way at the Composite Horner Development, replacement Housing will consist of; rehabilitated units on site, new construction units on site and new units built at Scattered sites under the Gautreaux Decree.

5. DEMOLITION/DEVELOPMENT SCHEDULE

The following proposed schedule will serve as the timetable for the implementation of CHA's Replacement Housing Plan (RHP) in conformance with 24 CFR 970.11(d):

REPLACEMENT HOUSING PLAN TIME TABLE	
ACTIVITY DESCRIPTION	NUMBER OF MONTHS AFTER HUD APPROVAL OF DEMOLITION
All residents relocated from the development	24 Months
Identify sites for acquisition	12 Months
Select design teams for new construction units	6 Months
Sign contract for first new construction units	24 Months
Sign contract for last new construction units	24 Months
Occupancy (Date of Full Availability)	60 Months

The Authority will develop the replacement housing to meet all time frames and requirements of the HUD Public Housing Development Handbook 7417.1 REV-1 and related regulations.

6. RESIDENT RELOCATION

All tenants effected by the subject demolition will be relocated in accordance with HUD relocation requirements, and provided comparable housing in other CHA units.

7. SITE AND NEIGHBORHOOD STANDARDS.

The Chicago Housing Authority has included certifications in the demolition application for the subject properties that it will comply with all applicable regulations and assist HUD in performing the required site and neighborhood reviews for all replacement housing sites.

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

DOROTHY GAUTREAUX, et al.,)

Plaintiffs,)

v.)

CHICAGO HOUSING AUTHORITY,)

Defendant.)

RECEIVED
Not 1998

Chief Judge Aspen
MAR 1998

MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURT

AFFIDAVIT OF VALERIE B. JARRETT

Valerie B. Jarrett, being duly sworn upon oath, states:

1. I am the Executive Vice President of The Habitat Company. I have held that position since November 1995. I am also an attorney and a member of the bar of this Court. I am a graduate of Stanford University and the University of Michigan Law School.

2. From 1991 to 1995, I was the Commissioner of the Department of Planning and Development of the City of Chicago.

3. As part of my responsibilities at Habitat, I have supervised the activities of Habitat as Receiver in this matter, subject to the supervision of Daniel E. Levin. I have participated in hundreds of meetings, and acted as the Receiver's representative on many occasions.

A. The March 10, 1997 Meeting.

4. I was present at the March 10, 1998 meeting with Joseph Shuldiner, Daniel Levin, Richard Monocchio, and Janet Elson, described in Daniel Levin's March 13, 1998 Letter to the Court. The description of that meeting in Mr. Levin's letter is accurate, including the description of the statements made by Mr. Shuldiner.

B. The CHA's Conduct at Darrow.

5. CHA representatives, Mr. Polikoff, and I discussed the possibility that the parties to the Gautreaux case would ask the Court to authorize construction of 38 housing units by the CHA as a demonstration program at Darrow. Since Darrow is in a limited area (defined in Court orders as having more than 30% African-Americans), the thirty-eight units could only be built at Darrow (absent a Court waiver) if they were matched one-for-one with scattered site units built by Habitat in general areas (defined in Court orders as less than 30% African-American). Thirty-eight matching units were potentially available in Rogers Park, a general area. In our discussions, I stated that the CHA could only be permitted to proceed with the thirty-eight unit proposal on two conditions: (a) that the thirty-eight units in Rogers Park to be used for the one-for-one match ~~were not needed~~ to match units the Receiver was planning in the Woodlawn neighborhood, another limited area, and (b) that the Court would approve the CHA's construction at Darrow as a demonstration project.

6. The first condition -- which would free the Rogers Park units to be matched with the Darrow units rather than new Woodlawn units -- depended on whether the Gautreaux plaintiffs' counsel recommended and the Court agreed to designating Woodlawn as a "revitalizing area" under this Court's Orders. Unless the Court agreed to such a designation, the Receiver would need to use the Rogers Park units as part of the one-for-one match for the Woodlawn units to be constructed.

7. In January 1998, the Receiver was informed by Andrew Rodriguez, head of the CHA's Redevelopment Department, that the CHA was making definite plans to use the thirty-eight units constructed by the Receiver in Rogers Park to meet the one-for-one requirement for the proposed thirty-eight units at Darrow. Since no revitalizing area designation had been sought for Woodlawn, our counsel wrote counsel for the CHA to remind the CHA that it could not proceed with its proposal for Darrow. A copy of the January 12, 1998 letter from Barry A. Miller to Jerome Butler, CHA's General Counsel, is attached as Exhibit 1 hereto. The statements made in that letter are accurate.

8. Mr. Butler responded on January 16, 1998. A copy is attached as Exhibit 2 hereto. A number of statements made in Mr. Butler's letter are not correct. For that reason, Mr. Miller wrote Mr. Butler again on January 29, 1998. A copy is attached as Exhibit 3 hereto. The statements made by Mr. Miller about my recollection concerning the Darrow proposal are accurate.

C. Retaliation against the Receiver.

9. As Mr. Levin's March 13 Letter to the Court states, Mr. Shuldiner indicated at the March 10, 1998 meeting if the Receiver did not agree that the CHA would assume future housing development responsibility for projects not already specifically allocated to the Receiver, he would "fight" and would oppose the Receiver in all respects.

10. Following the filing of the Gautreaux plaintiffs' motion for further relief on March 16, Mr. Shuldiner wrote me a letter on March 19 in which he repeated his refusal to execute amendments to Annual Contribution Contracts to release over \$7,000,000 that had been approved by HUD and committed to various housing development purposes. A copy of the letter is attached as Exhibit 4 hereto.

11. Michael Shakman, counsel for the Receiver, responded to Mr. Shuldiner's letter on March 26. A copy of Mr. Shakman's letter is attached as Exhibit 5 hereto. Mr. Polikoff also wrote a follow-up letter. A copy of Mr. Polikoff's letter is attached as Exhibit 6 hereto. Mr. Butler wrote Gail Laster, the CHA General Counsel, on March 30, 1998. A copy is attached as Exhibit 7 hereto. An additional letter from Mr. Shakman to Mr. Butler, dated March 31, 1998, is attached as Exhibit 8 hereto.

12. In addition, since March 13, 1998, the date Mr. Levin wrote the Court, The Habitat Company has received from the CHA at least 12 letters, and many phone calls, requesting information and/or commenting on problems. This "blizzard" of

requests far exceeds the pattern of requests from the CHA established over the past few years.

13. Habitat has already responded to many of the requests, and will respond to the rest promptly. Although it does not view the CHA as having any oversight role with respect to its work, the Receiver is willing to respond to all reasonable requests for information from the CHA.

D. ABLA II HOPE VI Application.

14. In the summer of 1997, the CHA prepared a second HOPE VI application for funds to construct new replacement housing for its ABLA housing project, located on the west side of Chicago in a limited area. We requested that the Receiver be included in planning the application. Richard Monocchio of the CHA told me that we would be included in the HOPE VI application.

15. In mid to late June, 1997, I spoke with Rafael Leon of CMHDC, the development affiliate of the CHA. Mr. Leon told me that he had been instructed by Mr. Monocchio not to include the Receiver in planning for the July 1997 HOPE VI application.

16. I then called Mr. Monocchio, told him about my conversation with Mr. Leon, and asked him "Isn't this inconsistent with what you told me last week." Mr. Monocchio said "I never said you shouldn't be there." Mr. Monocchio added that he

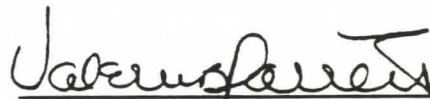
needed to talk with Mr. Shuldiner, but that the Receiver should be present in making plans for the ABLA II HOPE VI application.

17. Mr. Monocchio subsequently called me back and said that Mr. Shuldiner would permit us to be included in discussions about the Brooks extension, a part of ABLA where the Receiver had a development manager contract, but would not permit the Receiver to participate in any discussions leading towards the July 1997 ABLA II HOPE VI application.

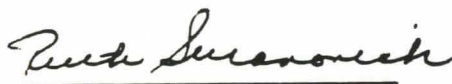
18. The Receiver was not included in any subsequent planning for the HOPE VI application. It was later reported in a Chicago newspaper that the application was turned down by HUD.

* * * * *

19. The foregoing matters are true of my own personal knowledge unless stated to be based on another source, in which case I believe the matters as stated are true. I would so testify if called as a witness.


Valerie B. Jarrett

SUBSCRIBED TO AND SWORN
BEFORE ME THIS 31ST
DAY OF MARCH, 1998


NOTARY PUBLIC



MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE
ATTORNEYS AND COUNSELORS

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OF COUNSEL
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DAVID J. KRUPP
MAURICE ROSENFELD
STANTON SCHUMAN
WRITER'S DIRECT LINE

January 12, 1997

759-7231

BY MESSENGER

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

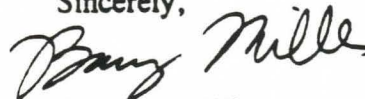
Dear Mr. Butler:

I am writing about the 38 units of public housing built in Rogers Park. The CHA has recently taken the position that these units can be used under the Gautreaux consent decree to offset units that the CHA wishes to build in the Darrow Homes.

The Receiver has consistently planned to use the Rogers Park units to offset units built in Woodlawn, in the event that the Gautreaux plaintiffs do not agree to designate Woodlawn as a revitalizing area. The CHA has long known of the Receiver's position. Prior to sending out offer letters to prospective sellers in Woodlawn, representatives of the Receiver had several conversations with both Edwin Eisendrath and Joseph Shuldiner, and everyone agreed to move forward with the acquisition of 38 units in Woodlawn, knowing that it might be necessary to use the Rogers Park units as offsets.

Please be advised that the Receiver has entered into contracts for land sufficient to build 38 units of housing at Woodlawn. Accordingly, unless and until the Gautreaux plaintiffs agree to designate Woodlawn as a revitalizing area, you should not expect to use the 38 Rogers Park units to offset units built at Darrow.

Sincerely,


Barry A. Miller

cc: Valerie Jarrett
Daniel Levin
Alexander Polikoff



The Chicago Housing Authority

Office of the General Counsel

Joseph Shuldiner
Executive Director

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

Ed Moses
Deputy Executive
Director for Community
Relations & Involvement

Jerome M. Butler
General Counsel

January 16, 1998

Barry A. Miller
Miller, Shakman, Hamilton, Kurtzon & Schlifke
208 South LaSalle Street
Chicago, Illinois 60604

Dear Mr. Miller:

I am in receipt of your letter dated January 12, 1997 (sic) regarding CHA's desire to utilize the 38 Rogers Park scattered site units as "offsets" for units to be developed in connection with revitalization at the Clarence Darrow Homes. I assume that by your reference to the Gautreaux Consent Decree you meant to refer to the locational restrictions for development of new units that are set forth in the Judgment Order.

That aside, I must correct your apparent misunderstanding of conversations that took place with Mr. Shuldiner and Mr. Eisendrath regarding units to be developed in Woodlawn. While both may have expressed support for development of units in Woodlawn, *it was with the understanding that a revitalizing designation would be sought for portions of the Woodlawn area.* There was and remains no agreement by CHA to utilize Rogers Park units to offset development in Woodlawn. This was the precise reason that we sought and obtained conditional agreement to the Darrow offset by the Gautreaux plaintiffs. (See the attached letter from Alex Polikoff dated October 14, 1997) CHA relied upon this conditional agreement.

Additionally, depending upon the percentage of assisted housing in Woodlawn, the development of units in Woodlawn may require a waiver of the Gautreaux locational restrictions. It would therefore appear advisable for the Receiver to obtain clarification from the Gautreaux plaintiffs regarding their support for either a waiver, a revitalizing designation, or the offset of units. The Authority plans to proceed with its efforts to revitalize Darrow, continues to plan to use the Rogers Park (and Old Town Square) units as offsets and will seek the Court's approval for the same.

Page Two

Please do not hesitate to contact me with any questions.

Sincerely,

Jerome M. Butler

Jerome M. Butler
General Counsel

cc: Joe Shuldiner
Alexander Polikoff

From from a week away I drafted in regard to your
letter of October 1, 1987 on Chicago.

I am afraid that the concept underlying the letter you
sent is far afield from what we have talked about with
people in at least two respects. First, the number of units
was to be approximately 30. This number was not arbitrary but
was arrived against an equal number of units in the Chicago
area that were "free" in terms of the paper market.
Department in the Chicago area. The specific number that
I recall was to "free" units in Chicago area.

Second, the reason for our acquiring in the Chicago
units was not the one stated in your draft letter. It was
rather another opportunity for CMA to demonstrate its
development capability, by analogy with the 130-unit
demonstration program which was the "like" program of all
to "free" land. From the plaintiff's point of view, as we
have stated, we welcome another development program
similar to that provided by the Receiver; if CMA is unable
to complete of doing development, effectively, that is a positive
circumstance to be encouraged.

This is obviously an effort to be made. I am not sure
reflected in the papers you sent me that I am not sure
what to suggest. Perhaps, the best thing would be to talk
talk after you receive this letter.

Cordially

Jerome M. Butler

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE
ATTORNEYS AND COUNSELORS

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MAURICE ROSENFELD
STANTON SCHUMAN

WRITER'S DIRECT LINE

759-7231

January 29, 1998

BY MESSENGER

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

Dear Mr. Butler:

I am writing in reply to your letter of January 16 concerning the 38 Rogers Park units. My letter of January 12 was accurate.

Ms. Jarrett specifically recalls discussing this issue with Mr. Eisendrath and Mr. Shuldiner more than once. She recalls that at one meeting, Mr. Shuldiner specifically agreed that while the CHA hoped that a revitalizing area designation for the Woodlawn area would be obtained, it also agreed that Habitat should proceed with its Woodlawn acquisitions upon the explicit understanding that if the Woodlawn designation were not secured, then the Rogers Park units would not be available to match Darrow units.

You attached an October 14, 1997 letter from Alexander Polikoff to your response. I have reviewed that letter with Mr. Polikoff. Mr. Polikoff said that he had discussions with the CHA long before October 14, 1997. In those conversations, it was discussed that the 38 units would be available for the CHA's use at Darrow subject, however, to the outcome of simultaneous discussions about a revitalizing area designation for Woodlawn (and if an agreement were reached to allow the CHA to build at Darrow). Mr. Polikoff said the October 14 letter was written against that background. That is clear from Mr. Polikoff's letter of November 6, 1997 to Mia Barricini, a copy of which was sent to you.

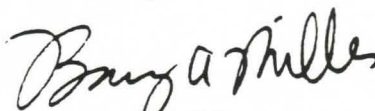
MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE
Jerome Butler
January 29, 1998
Page 2

Of course, under the Receivership order, site selection is the Receiver's responsibility, not the CHA's. The discussions about Woodlawn and Darrow have been an exercise in courtesy and coordination on the Receiver's part.

Given that (1) the Receiver has now acquired all of the 38 units in Woodlawn, (2) no revitalizing area designation has been arranged for Woodlawn, and (3) the Darrow discussions have never been finalized, the Receiver intends to proceed with construction on the 38 Woodlawn units, using the Rogers Park units as had been discussed.

Please let me know if you have any additional questions.

Sincerely,


Barry A. Miller

cc: Valerie Jarrett
Daniel Levin
Alexander Polikoff



Joseph Shuidiner
Executive Director

Executive Committee
Joanna Marques
Timothy W. Wright III
Dr. Mildred Harris

Ed Moses
Deputy Executive Director
in Community Relations
Involvement

Thomas M. Butler
General Counsel

The Chicago Housing Authority

March 19, 1998

Ms. Valerie Jarrett
Executive Vice President
The Habitat Company
350 W. Hubbard Street
Chicago, Illinois 60610

RE: Various ACC Amendments sent for CHA Approval

Dear Ms. Jarrett:

The Habitat Company (Habitat) and the U.S. Department of Housing and Development (HUD) have sent several requests in recent months for CHA to approve various amendments to various ACC Contracts. At this time, CHA is willing to move forward with two of the requests:

1. The transfer of funds from 166 to 171 as part of the Demonstration Program, Amendment No. 95 and
2. Payment to the Court Appointed Special Masters of \$20,000 from Program 117, Amendment No. 40.

Resolutions for these two ACC Amendments are in the process of being drafted and will be presented at the next CHA Board Meeting.

As for Amendments 39 and 94 moving funds from Program 117 to 178 I would like more clarification. Back in August of last year, we agreed to move \$4,500,000 from Program 117 into other funds with the agreement that the remainder of the funds in 117 would go for additional units in "non-impacted" areas. I am very concerned at the use of these funds in an impacted neighborhood and especially on units that should have been completed over a year ago. Please clarify for me why you feel the need for these units are necessary and thereby justifying the additional expense.

Amendments 96 and 41 are also troubling. I understand the movement of funds from 184 into 206 and 207. This essentially moves funds within the Washington Park program and does not constitute an increase to the overall allocation to Washington Park. What I don't understand is the additional need for funds from 117 for 207 and why funds are being loaned from 104 to 123. Again 207 is a Washington Park program and should have been fully funded by the original

Washington Park set aside. As for the loaning of funds from 104 to 123, both of these funds should be closed out or close to close out. If there are additional funds why are they not going into 117 and being used for additional units in non-impacted areas as we had agreed earlier.

At this time, based on these last ACC Amendments, the account balance in 117 is now down to \$4,829,680, which should be sufficient to build over 45 more units, which are badly needed. In addition the \$4,834,782 which was to go from 104 to 123 could also be used to double the number of units if those funds were to be put back into 117 for further use.

I await your response clarifying these issues. Please feel free to call me if you have any questions or comments.

Sincerely,

Carman E. Danner

for Joseph Shuldiner
Executive Director

cc. Judge Marvin Aspen
Alexander Polikoff
Jan Elson, HUD

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE
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WRITER'S DIRECT LINE
759-7201

March 26, 1998

By Messenger

Jerome Butler
General Counsel
Chicago Housing Authority
200 W. Adams Street
Suite 2100
Chicago, Illinois 60606

Dear Jerome:

Valerie Jarrett has asked me to respond to Joseph Shuldiner's letter to her of March 19, which was received on March 24th by mail.

The letter approves two requests for funds for the Receiver that HUD has previously approved, but that have been held up by the CHA's failure to provide a ministerial approval that it had been routinely providing for the entire period of the receivership. The approved funds amount to \$20,000 in long-overdue payments to the Court's special masters, and \$422,072 for a rehab program for scattered site housing. The letter withholds approval for the balance of the funds, which total approximately \$7,248,521, instead asking questions and raising objections to the Receiver's use of the funds.

CHA's refusal to approve HUD's release of funds to the Receiver has been presented to the Court by the Gautreaux plaintiffs' motion, and is being briefed. In the meantime, because it may be some time before the Court rules, and because the CHA's actions are impairing the Receiver's ability to carry out its responsibilities, the Receiver has asked that we reconfirm his position concerning the matter.

First, the CHA is harming CHA residents by holding up funds that HUD has approved and the Receiver has committed to build housing that everyone agrees is badly needed.

Page 2

March 26, 1998

Second, it is absolutely clear under the August 14, 1987 order appointing the Receiver that CHA has no authority over how the Receiver spends funds for housing development, although the Receiver has never objected to providing whatever information the CHA has requested. The Order directs the CHA to "provide full cooperation and assistance to, and [provides that it] shall not interfere with, the Receiver in the performance of the Receiver's responsibilities hereunder." The CHA is plainly in breach of that duty. Attached are excerpts from the August 14, 1987 order.

Third, although the Receiver is not obligated to do so, in the spirit of cooperation to which the Receiver has always been committed, it would normally provide the information sought by Mr. Shuldiner's letter on a voluntary basis. It has never been necessary for the CHA to hold millions of dollars hostage to get information from the Receiver. Valerie Jarrett's letter of March 20 to Jane Hornstein of CHA offering to make information available is a recent confirmation of the Receiver's willingness to provide information. In addition, I enclose a memo of March 24, 1998 from Valerie Golden of the Receiver's staff responding to Mr. Shuldiner's questions. Mr. Shuldiner is incorrect in his letter in asserting that the Receiver had agreed in August 1997 to the specific use of \$4.5 million in funds to which Mr. Shuldiner refers. There was no such agreement.

Fourth, Mr. Shuldiner has been withholding CHA's approval over funds held by HUD as part of a policy he described in his March 10 meeting with Dan Levin and Valerie Jarrett. Mr. Shuldiner said that if the Receiver did not agree to yield the Receiver's development authority to the CHA he would "'fight' and would oppose the Receiver in all respects" and would "withhold its [CHA's] approval [of HUD funding to the Receiver] unless the Receiver satisfies the CHA with extensive backup material and data . . . ". See Mr. Levin's letter to Judge Aspen of March 13, 1998 at page 3-4. The funds that the CHA is holding up are not HOPE VI funds and are not, therefore, related to any issue between the CHA and the plaintiffs concerning whether HOPE VI funds for housing development are within the scope of the Gautreaux judgment, an issue that was resolved in any case by the Court's February 23 Order.

It is **one thing** for a private party having a dispute with another private party to make threats and to **act upon them**, but it is quite another for a public agency like the CHA to make such threats **and carry them out** against a court-appointed receiver entrusted by a U.S. District Court with implementing its orders.

As you know from the many meetings you and I have attended with Dan, Valerie and others from the Receiver's staff, the last thing that the Receiver wants is to be involved in an adversary relationship with the CHA that impairs the Receiver's ability to generate badly needed housing.

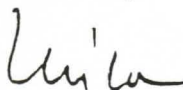
Page 3

March 26, 1998

The Receiver believes that the CHA's actions are, unfortunately, a purposeful effort to interfere with the Receiver's duties at the expense of public housing residents. Such actions push even the most patient people to seek relief from a court.

Please urge Mr. Shuldiner to reconsider and immediately to provide the approvals necessary to release the \$7,248,521.

Sincerely,



Michael L. Shakman

cc: Honorable Marvin E. Aspen (By Messenger)
Counsel of Record in Gautreaux (By Facsimile)

THE HABITAT COMPANY

Philip A. Hickman
Senior Vice President

cc: Daniel B. Levin, Habitus
Douglas R. Woodworth, Habitus
Valerie E. Jorjetti, Habitus

INCONSTRUCTION-209.178 C/U UNCLASSIFIED.DEN

MEMORANDUM

To: Valerie Jarrett

From: Valerie Golden *VL*

Date: March 24, 1998

Re: Various ACC Amendments sent for CHA Approval

Per the letter from Joseph Shuldiner as of March 19, 1998, the following clarifications were requested in order to approve the ACC Amendments.

- 1) The detailed background of Program 178 (Lawndale) is attached. We are requesting an increase in funds up to 102% of the 1997 Total Development Costs due to all the delays and additional costs associated with the community process.
- 2) Additional funding is needed in Program 207 as the original Program 184 was underfunded. Program 184 originally contained 82 units and had a total funding of \$8,732,750. This program was reformulated into 184, 206 and 207. The total Gautreaux TDC for the combined 82 units is \$10,121,825. The total proposed budgets of the combination of Programs 184, 206 and 207 are \$10,038,776 which is below the Gautreaux TDC by \$83,049.
- 3) Regarding the amendment moving expenditures from Program 104 to Program 123, I spoke with Cheryl Evans Petersen at HUD. Cheryl said that this adjustment is being done by HUD to take care of something that should have been done years ago. Program 104 was terminated by HUD but the money and costs associated with it were never transferred to the original Scattered Site Programs 115 and 116. The money is not being taken out of Program 117. HUD is just cleaning up their books.



THE HABITAT COMPANY

October 24, 1997

Mr. Louis Berra, Director
U.S. Department of Housing
and Urban Development
77 West Jackson Boulevard - Room 2400
Chicago, Illinois 60604

Re: HUD Program IL06-P002-178
Lawndale Replacement Housing Program

Dear Mr. Berra:

A revised budget submitted under separate cover requests an increase in funds for Program 178 up to 102% of the 1997 Total Development Costs (TDC) or \$2,634,966.00. We request that the funds be transferred from Program 117 to Program 178 to provide the funding necessary to continue with the program. The information below is an explanation for this request.

Background

The initial budget for Program 178 was approved on March 24, 1994, in the amount of \$1,913,550.00 using the 1993 TDC. Based on this budget, we proceeded to solicit proposals for Turnkey developers and a Turnkey developer was selected. Unfortunately, this developer defaulted and a second developer was selected. This second developer also defaulted. The plans and specifications (prepared for the original Developer) were re-issued for pricing and the program was converted to a Conventional development method. Concorde Manufacturing was selected as the General Contractor for the eighteen (18) units in this Program. Subsequent to being selected as General Contractor, Concorde's relationship with the Alderman had become strained and the permit process was stopped. It was mutually agreed to terminate ten (10) units from their Contract. Consequently, Concorde is in the process of completing eight (8) units of the total eighteen (18) units. These remaining ten (10) units will be issued for bid under a new Request for Proposals.

Simultaneously with the deletion of ten (10) units from Concorde's contract, the Alderman and the local community leaders have suggested that the parcels acquired for the ten (10) units not be used for replacement housing, but be held vacant for possible market rate housing because of their prominent location on Douglas Boulevard. Some funds have been expended on these sites for acquisition, excavation and foundations, however, in the interest of community relations, we agreed with the community and the Alderman. Additionally, the community and the Alderman requested that the elevations be upgraded to be more compatible with buildings in the Lawndale area. We pursued this request by upgrading the original eight (8) units currently under construction and are reviewing the upgrades for the remaining ten (10) units. As a result of the delays and additional costs associated with the community process, we believed it to be in the best interest of the development to separate the eight (8) units currently under construction (and to scheduled for completion this winter) from the remaining ten units and utilize a contractor who could handle these units in an expeditious manner. New sites to replace those deleted from the program will be provided by the City via an amendment to the original ordinance used to acquire the original parcels.



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MARY E. Ellis

March 26, 1998

By Fax: 202/708-3389

Ms. Gail Laster,
General Counsel
U. S. Department of Housing and
Urban Development
451 Seventh Street, S. W. - #10214
Washington, D. C. 20410

Re: Gautreaux v. CHA

Dear Ms. Laster:

I enclose a letter of March 26, 1998 from the attorney for the Gautreaux Receiver to the General Counsel for the Chicago Housing Authority. The letter is self-explanatory.

It confirms that CHA is continuing Mr. Shuldiner's announced policy of opposition to and non-cooperation with the Receiver, who as you know was invested by the Court with CHA's entire authority to develop any new non-elderly public housing in Chicago. It appears that in violation of the Court order appointing the Receiver, CHA is withholding its ministerial approval over more than \$7 million in funds that HUD has approved and is ready to disburse to the Receiver.

By its letter of March 13, 1998, the Receiver had previously written HUD and requested that it release the funds immediately (copy attached). These are not HOPE VI funds. They are not related to the dispute between the plaintiffs and CHA over whether the Gautreaux judgment applies to HOPE VI replacement housing.

I have previously written HUD that the plaintiffs view HUD as responsible for the actions of CHA. Clearly, HUD is responsible for refusing to disburse over \$7 million due the Receiver.

While we are scheduled to meet and discuss the Gautreaux situation on April 1, I wanted you to know that I share the sentiment expressed in the enclosed letter that this is an extremely serious situation. HUD cannot avoid legal responsibility for what is taking place, whether that responsibility is based on its takeover of CHA and resulting

powers and obligations to comply with Court orders of which it has knowledge, or upon the fact that it appears to be yielding to and countenancing an unlawful hold CHA has placed on funds due to the Receiver and approved by HUD. (Of course I am still waiting to hear from you respecting the "legal status of CHA" as you put it in your letter to me of March 16, 1998.)

I would be happy to discuss these matters with you before the April 1 meeting. Thank you.

Sincerely,



Alexander Polikoff

ALP:mmn

cc: Mercedes Marquez
Carol Wilson/Howard Schmeltzer
Linda Wawzenski
Lewis Nixon/Janet Elson/John Jensen
Joseph Shuldiner
Susan Getzendanner
Jerome Butler
Daniel Levin
Michael Shakman



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General Counsel

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Deputy Executive
Director for Community
Relations & Involvement

The Chicago Housing Authority

March 30, 1998

Ms. Gail Laster
General Counsel
U.S. Dept. of Housing and
Urban Development
451 Seventh Street SW, Room 10214
Washington, DC 20410

Via Facsimile

Dear Ms. Laster:

As you know, the parties involved in the Gautreaux litigation are scheduled to meet in Washington with HUD this Wednesday, April 1, 1998, to discuss recent developments. The CHA had intended to wait until then to delve into these matters, but the inaccuracies contained in Mr. Polikoff's letter to you of March 26 force me to respond now.

In his letter, Mr. Polikoff contends that "the CHA is withholding its ministerial approval over more than \$7 million in funds that HUD has approved and is ready to disburse to the receiver." In fact, the CHA had already signed 3 of the ACC amendments totaling \$5,548,917. And on March 27, the CHA approved two additional amendments for \$443,074. It is our understanding that HUD headquarters is reviewing a \$1,217,550 amendment pertaining to Henry Horner, and others not mentioned in Mr. Polikoff's letter requesting increases which exceed 105% of TDC.

The CHA has requested back up documentation from the receiver on two projects, Lawndale and scattered site units in the Lakefront project. Both involve the request by the receiver for additional funds from an account known as 117, which was intended to build incremental housing units but instead has been utilized to shore up other development accounts. The CHA has requested information regarding the prolonged delay of the Lawndale project, and increased TDCs associated with the Lakefront scattered sites.

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

The CHA appreciates this opportunity to correct the record, and we look forward to our meeting this Wednesday.

Sincerely,

Jerome M. Butler

Jerome Butler
General Counsel

cc: Carol Wilson/Howard Schmelzer
Linda Wawzenski
Lewis Nixon/Jan Elson/John Jensen
Joseph Shuldiner
Susan Getzendanner
Daniel Levin
Michael Shakman

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

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OF COUNSEL
THEODORE BERGER
DAVID J. KRUPP
MAURICE ROSENFELD
STANTON SCHUMAN
WRITERS DIRECT LINE

March 31, 1998

By Facsimile

Jerome Butler, General Counsel
The Chicago Housing Authority
626 W. Jackson Blvd.
Chicago, IL 60661

Re: Gautreaux

Dear Jerome:

I have your letter of March 30, 1998 stating that

. . . the CHA had already signed 3 of the ACC amendments totaling \$5,548,917. And on March 27, the CHA approved two additional amendments for \$443,074.

I called John Jensen and Jan Elson at HUD this morning to see what they know about these statements. I was told that, as of this morning, HUD has not received approval from the CHA for \$7,086,048 in ACC amendments, and that they had heard that the two amendments mentioned in your letter totaling \$443,000 had been approved internally at CHA. That approval had not yet been received at HUD.

Accordingly, please advise what ACC amendments totaling \$5,548,917 you were referring to in your March 30 letter and when they were approved.

Also, please let me know whether HUD has been advised of that approval and, if so, to whom that approval was sent and when.

Since it is possible that the issues referred to in your letter of March 30 and my letter to you that preceded it of March 26 will be the subject of discussion at the meeting tomorrow in Washington, a speedy response would be greatly appreciated.

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE

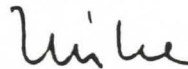
Jerome Butler

Page 2

March 31, 1998

Finally, it remains the Receiver's position that the CHA has no right to withhold any approval of any HUD disbursements to the Receiver, and that doing so violates the receivership order.

Sincerely,



Michael L. Shakman

MLS:ra

cc: Carol Wilson/Howard Schmelzer
Linda Wawzenski
Lewis Nixon/Jan Elson/John Jensen
Joseph Shuldiner
Susan Getzendanner
Daniel Levin

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

NO. 98-1807

DOROTHY GAUTREAUX, et al	)	Appeal from the United
	)	States District Court for
	)	the Northern District of
Plaintiffs-Appellees,	)	Illinois, Eastern Division
	)	
	)	No. 66 C 1459
	)	Hon. Marvin E. Aspen
CHICAGO HOUSING AUTHORITY,	)	
and Executive Director Joseph	)	
Shuldiner in his official	)	
capacity,	)	
	)	
Defendant-Appellants	)	

AFFIDAVIT OF VALERIE B. JARRETT

Valerie B. Jarrett, being duly sworn upon oath, states:

20. I have previously provided an affidavit in the District Court in this case, which consisted of paragraphs 1-19. To avoid confusion, this affidavit commences with paragraph 20.

21. I am the Executive Vice President of The Habitat Company and supervise the activities of Habitat as Receiver in this litigation.

22. As part of my responsibilities, Daniel E. Levin, Philip A. Hickman and I attended two meetings convened by Julia Stasch, the Commissioner of the City of Chicago's Department of Housing, on May 22 and May 26, 1998 to pursue jointly with the Chicago Housing Authority the preparation and filing with HUD of a HOPE VI application by June 29, 1998

pursuant to the SuperNOFA issued by HUD on March 31, 1998. The meetings were convened after I discussed with Commissioner Stasch the Receiver's interest in working collaboratively with the City of Chicago and the CHA to prepare an application for HOPE VI funding that maximized the likelihood of Chicago receiving an award of funds for new CHA housing, and that was sensitive to the City's overall goals for housing revitalization and development and the requirements of the orders entered in this case. The meetings took place after Judge Aspen entered an order on May 19, 1998 directing the CHA to cooperate with the Receiver in the preparation of a HOPE VI application.

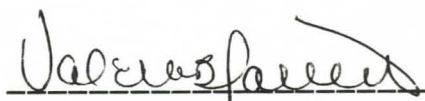
23. Also participating in the meetings were representatives of the Chicago Housing Authority. The persons present on May 22 included Joseph Shuldiner, the Executive Director of the Chicago Housing Authority, Karen Newton, the Chairman of the Board of the CHA, Andrew Rodriguez, the director of development activities for the CHA. Shannon Dewitt, Mayor Daley's Project Manager for the redevelopment of the CHA's ABLA housing development, David Doig, First Deputy Commissioner of the Department of Planning and Development of the City, and a number of other people also attended, in addition to Commissioner Stasch. All of the same individuals, except Karen Newton, were also present at the May 26th meeting. In addition, representatives of the residents of the ABLA

development were also present.

24. At the meeting on May 22, Mr. Shuldiner stated that the CHA would be happy to participate in a collaborative process with Habitat and the City to prepare the HOPE VI application. The CHA then described its suggestions for projects for which HOPE VI funds could be used, and there was a discussion of the CHA's suggestions. Additional meetings have been scheduled for May 28 and June 1, 1998.

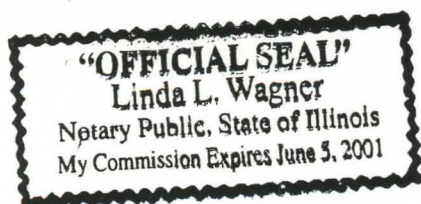
25. No one, including the CHA representatives, suggested that it would be difficult or impossible to prepare and file an application with HUD by the June 29th deadline if the Receiver participated or if the requirements of prior orders in this case applied to the housing to be developed pursuant to the application.

26. The foregoing matters are true of my own personal knowledge and I would so testify if called as a witness.


Valerie B. Jarrett

Subscribed and sworn
before me this 27th day of
May, 1998


Notary Public



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

DOROTHY GAUTREAUX, at al.,

Plaintiffs,

v.

CHICAGO HOUSING AUTHORITY,

Defendant.

66 C 1459

RECEIVER'S EMERGENCY MOTION FOR ENTRY
OF ORDER IMPLEMENTING CHA'S DUTY OF COOPERATION

Daniel E. Levin and The Habitat Company (collectively, the "Receiver") move the Court to enter an order directing defendant, the Chicago Housing Authority, to take the following steps:

A. Cooperate with the Receiver and other interested parties, including the City of Chicago, to file with the United States Department of Housing and Urban Development ("HUD") an application for funds under the HOPE VI program which includes development of new non-elderly public housing to be made available to CHA residents in conformity with remedial orders in this case.

B. In order to prepare such an application to HUD for HOPE VI funds, provide the information specifically requested by the Receiver in Daniel E. Levin's letter of May 5, 1998 to Joseph Shuldiner, Exhibit A hereto, and otherwise comply with Court orders, as described below.

This motion is submitted on an emergency basis because of the Receiver's belief that unless immediate action is taken the possibility of obtaining up to \$35 million in federal HOPE VI funds may be lost because of lack of cooperation by the CHA. The detailed and complicated application for such funds must be filed with HUD by June 29, 1998.

In support hereof, the Receiver states as follows:

Relevant Prior Orders

1. By order of August 14, 1987, Exhibit B hereto ("Receivership Order"), the Court appointed the Receiver to assume responsibility for the "scatter site program" which the Order defines as including "all CHA non-elderly public housing development programs which may in the future be authorized by HUD during the pendency of Civil Action No. 66 C 1459." Receivership Order ¶ (C). The Receivership Order provides, among other things, that the Receiver's responsibilities include:

. . . (i) submission to HUD of applications for funding, development programs and other documents, (ii) site selection and acquisition (including policies respecting the location of sites and buildings to be acquired), [and] (iii) the relocation of occupants, when necessary

Receivership Order ¶ 2(a).

2. The Receiver views itself and the CHA as obligated by Article VIII of the judgment order in this case (304 F.Supp. at 741) to see to it that an application for funds that includes the development of non-elderly public housing units is submitted.

That order stated:

CHA shall use its best efforts to increase the supply of Dwelling Units as rapidly as possible in conformity with the provisions of this

judgment order and shall take all steps necessary to that end, including making applications for allocations of federal funds and carrying out all necessary planning and development

Since that Order was entered, the Receiver has been appointed to carry out the CHA's responsibilities with respect to the construction of new Dwelling Units. Those responsibilities include using its best efforts to increase the supply of Dwelling Units in conformity with the judgment order.

3. The Receivership Order also directs the CHA to cooperate with the Receiver:

CHA, its agents, servants and employees shall provide full cooperation and assistance to, and shall not interfere with, the Receiver in the performance of the Receiver's responsibilities hereunder, including without limitation providing full access to all information, records, documents, files relating to the scattered site program.

Receivership Order ¶ 7.

4. By Order of February 23, 1998, Exhibit C hereto, the Court confirmed that the judgment order in this case "governs the CHA's use of HOPE VI funds" and that "any construction of public housing in Cook County must conform to the judgment order's locational requirements." Exhibit C at 5.^{1/}

^{1/}

In the Receiver's letter to the Court of March 13, 1998 the Receiver has previously informed the Court of unsuccessful efforts to obtain cooperation from the CHA concerning the HOPE VI application process. In addition, on March 31, 1998 the Receiver filed the Affidavits of Daniel E. Levin, Valerie Jarrett, Philip A. Hickman, Barry A. Miller and a number of documents describing the course of dealing with the CHA related to HOPE VI over several years. Those documents, which are incorporated herein by reference, establish that (a) the CHA in 1995 agreed with the Receiver that the Receiver should develop HOPE VI non-elderly housing, (b) the CHA changed its
(continued...)

HUD's March 31, 1998 Notice of Fund Availability.

5. On March 31, 1998 HUD published in 63 Federal Register 15577-84, Exhibit D hereto, a Notice of Funding Availability ("SuperNOFA") for approximately \$141 million pursuant to the HOPE VI program. The SuperNOFA stated that applications for funding must be received by HUD no later than June 29, 1998. The funds available may be used for:

(3) Public housing development through the acquisition of land, or acquisition of off-site units with or without rehabilitation to be used as public housing, in accordance with 24 CFR part 941. . . .

(5) Construction of replacement rental housing, both on-site and off-site, and community facilities . . .

6. The SuperNOFA also provides that a requirement for eligibility is that "a public housing development or portion of the development, must be severely distressed as to physical condition, location, or other factors making the development, in its current condition, unusable for housing purposes." 63 Fed. Reg. 15578. The

^{1/}(...continued)

position in late 1996, (c) the Receiver and the plaintiffs objected to the CHA's change of position and informed the CHA and the Court in 1997 of their view that such applications could only be filed with the participation of the Receiver, and (d) in September 1997 the CHA filed its motion seeking a determination to the contrary, which was denied in the Court's Order of February 23, 1998. In the course of this dispute HUD agreed with the Receiver's understanding that (absent a contrary court order changing the status quo) the Receiver is the only party authorized to develop non-elderly housing under the HOPE VI program.

See the pending Motion for Further Relief filed by the plaintiffs and supported by the Receiver.

SuperNOFA also permits applicants to seek waivers of non-statutory requirements. 63 Fed. Reg. at 15578.

7. Applicants may also request up to \$5,000 per household for human services programs addressed to quality of life issues and other social needs, and up to \$3,000 for relocation assistance. 63 Fed. Reg. at 15578. A public housing agency may submit one or two applications for HOPE VI funds, each to be reviewed separately, and both subject to a maximum grant for the two of \$35 million. 63 Fed Reg at 15579.

The Receiver's Efforts to Obtain
Cooperation from the CHA

8. After reviewing the SuperNOFA, the Receiver had discussions with representatives of the City of Chicago and was informed that the City would cooperate with the Receiver and the CHA in attempting to develop a common approach to the SuperNOFA application so as to maximize the benefit to the City and to CHA residents from the potential grant of up to \$35 million in HOPE VI funds, as well as to maximize the possibility that the Chicago application would be competitive in the nationwide competition for such funds.

9. On May 5, 1998 Daniel E. Levin wrote Joseph Shuldiner, Executive Director of the CHA, inviting Mr. Shuldiner to participate in a meeting with the Receiver and representatives of the City of Chicago "in the next few days" to discuss the Receiver's wish "to file a HOPE VI application jointly with the CHA that obtains as much of the \$35 million as possible for Chicago, and assures that new housing

developed with HOPE VI funds complies with the requirements of the Gautreaux case." Exhibit A at 1. The letter also attached a list of areas in which information from the CHA was sought because "in order to prepare and submit a HOPE VI application jointly with the CHA, there are several issues on which it would be helpful to have the CHA's views . . ."

10. The Receiver received no response to the May 5 letter. Accordingly, on May 15, 1998 one of the Receiver's attorneys wrote to Jerome Butler, the General Counsel of the CHA, requesting confirmation by 2 p.m. on Monday, May 18, 1998 that the CHA would provide cooperation to the Receiver in connection with the HOPE VI application as required by the Receivership Order. Exhibit E. To date the CHA has not responded to either letter.

Relief Sought

11. The Receivership Order clearly requires the CHA to "provide full cooperation and assistance to" the Receiver in carrying out the Receiver's responsibilities. Those responsibilities expressly include among other things "submission to HUD of applications for funding, development programs and other documents, . . . site selection and acquisition (including policies respecting the location of sites and buildings to be acquired), [and] (iii) the relocation of occupants, when necessary . . ." -- all respecting development of new non-elderly public housing.

12. The Receiver's letter of May 5, 1998 sought such cooperation from the CHA, and identified five areas where specific information was sought:

i. Since HOPE VI focuses on "severely distressed public housing", we would appreciate knowing the developments that CHA believes fall into that category and those that it believes should be the subject of this HOPE VI application.

ii. Although site selection for replacement housing is the Receiver's responsibility under the August 14, 1987 Order, we would welcome the CHA's suggestions on where replacement housing should be located.

iii. Since tenant input is a component of HOPE VI, we would appreciate the CHA's suggestions on obtaining such input respecting the developments to be the subject of the application.

iv. As you know, HOPE VI allows up to \$5,000 per household for human service programs and up to \$3,000 for relocation assistance. The CHA, not the Receiver, would be responsible for administering these amounts. Similarly, HOPE VI allows applications for funding for community facilities. We would appreciate the CHA's indication of the amounts it suggests the joint application should seek in each of these areas, and the CHA's suggestions for how funds awarded in these areas can best be coordinated with funds awarded for housing development.

v. The SuperNOFA states that "PHAs may request . . . a waiver of HUD regulations (that are not statutory requirements) governing rent, income eligibility, or other areas of public housing management to permit a PHA to undertake measures that enhance the long-term viability of a development revitalized under this program." We would also appreciate knowing the CHA's views on what waivers, if any, it believes would be helpful and should be sought.

13. In order to plan for and submit a timely application for funds pursuant to the SuperNOFA, the foregoing information from the CHA is required immediately, and the CHA should be directed to provide it forthwith. In addition, the CHA should be required to meet with the Receiver and representatives of the City as and when needed to participate in the process of formulating an application pursuant to the SuperNOFA

and to provide any additional information and cooperation required in carrying out that process.

14. To the extent the application seeks funds for the development of new dwelling units, it is the responsibility of the Receiver under the Receivership Order. The CHA should be directed immediately to inform the Receiver of any plans it has made to file an application pursuant to the SuperNOFA, and of any modification in those plans or intentions. The CHA should be directed to file any such application seeking funds for the development of non-elderly dwelling units only if filed jointly the Receiver.^{2/}

15. To the extent the application seeks funds for social services or facilities, such matters are the responsibility of the CHA, provided that the CHA does not seek to carry out such activities in a manner that violates the CHA's responsibilities under the Receivership Order to cooperate with and assist the Receiver.

16. The Receiver regrets the necessity to file this application on an emergency basis. Because the period of time remaining prior to June 29 is very limited in relation to the scope of the planning and coordination required for submission of a well-conceived SuperNOFA application, immediate relief is required. The Receiver requests

^{2/}

As more fully described in the materials referred to in footnote 1, in connection with prior Hope VI applications for the development of non-elderly housing units, whenever the Receiver was aware of such an application by the CHA, the Receiver sought to work out by mutual agreement a mechanism for the Receiver to carry out the Receiver's responsibility under the Receivership Order, and was able to do so by functioning as "development manager" for the projects.

that an Order be entered as sought in paragraphs 13-15, and providing such other relief or instructions to the Receiver as the Court deems appropriate in the circumstances.

Respectfully submitted,
Daniel E. Levin
and The Habitat Company

By Michael L. Shakman
One of their attorneys

Dated: May 18, 1998

Michael L. Shakman
Barry A. Miller
Edward W. Feldman
Miller Shakman Hamilton Kurtzon & Schlifke
208 S. LaSalle Street, Room 1100
Chicago, Illinois 60604
312-363-3700

THE HABITAT COMPANY

May 5, 1998

Mr. Joseph Shuldiner
Executive Director
Chicago Housing Authority
626 West Jackson Boulevard
Chicago, Illinois 60661-3601

Dear Joe:

As you know, the SuperNOFA was issued by HUD on March 31, 1998, and is due on June 29, 1998. Up to \$35 million may be awarded to a housing authority under this SuperNOFA. We think that it is important that we work together to submit a joint application so that these funds are awarded to Chicago.

The Court's Order of February 23, 1998, made clear that the remedial orders entered in Gautreaux apply to housing constructed with HOPE VI funds. Under the Order of August 14, 1987, the Receiver is responsible for applying for and developing all new CHA housing units funded by HUD. In conformity with our duty as Receiver, we wish to file a HOPE VI application jointly with the CHA that obtains as much of the \$35 million as possible for Chicago, and assures that new housing developed with the HOPE VI funds complies with the requirements of the Gautreaux case.

We would like to participate in a meeting with you and the City's representatives in the next few days at which we can discuss CHA's views on appropriate development proposals. We also want to hear the City's views as to how the SuperNOFA application fits with the City's revitalization plans. (We view it as part of our job to be sensitive to the City's overall housing revitalization strategies consistent with our responsibilities under Gautreaux and the CHA's needs.) In order to prepare and submit a HOPE VI application jointly with the CHA there are several issues on which it would be helpful to have the CHA's views, and on which we may have views of our own that we would like to discuss with you. To make a meeting more productive, we have listed several of those issues on the attached page, and will come to a meeting prepared to listen to your ideas and to discuss them.

Mr. Joseph Shuldiner

Page 2

May 5, 1998

We hope we can work together in a cooperative fashion with you and the City to make a successful application for Chicago.

Please let me know when we can get together.

Sincerely,

THE HABITAT COMPANY



Daniel E. Levin
Chairman

cc: Commissioner Julia Staach
Forrest Claypool

HOPE VI ISSUES

1. Since HOPE VI focuses on "severely distressed public housing", we would appreciate knowing the developments that CHA believes fall into that category and those that it believes should be the subject of this HOPE VI application.
2. Although site selection for replacement housing is the Receiver's responsibility under the August 14, 1987 Order, we would welcome the CHA's suggestions on where replacement housing should be located.
3. Since tenant input is a component of HOPE VI, we would appreciate the CHA's suggestions on obtaining such input respecting the developments to be the subject of the application.
4. As you know, HOPE VI allows up to \$5,000 per household for human service programs and up to \$3,000 for relocation assistance. The CHA, not the Receiver, would be responsible for administering these amounts. Similarly, HOPE VI allows applications for funding for community facilities. We would appreciate the CHA's indication of the amounts it suggests the joint application should seek in each of these areas, and the CHA's suggestions for how funds awarded in these areas can best be coordinated with funds awarded for housing development.
5. The SuperNOFA states that "PHAs may request . . . a waiver of HUD regulations (that are not statutory requirements) governing rent, income eligibility, or other areas of public housing management to permit a PHA to undertake measures that enhance the long-term viability of a development revitalized under this program." We would also appreciate knowing the CHA's views on what waivers, if any, it believes would be helpful and should be sought.

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

DOROTHY GAUTREAUX, et al.,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	Civil Action No. 66C1459
	)	66C1460
SAMUEL R. PIERCE, JR., Secretary	)	(Consolidated)
of the Department of Housing and	)	
Urban Development, and CHICAGO	)	
HOUSING AUTHORITY, et al.,	)	
	)	
Defendants.	)	

O R D E R

This matter coming on to be heard pursuant to plaintiffs' motion dated May 8, 1987 for the appointment of a receiver for the scattered site program (defined below), due notice having been given and the Court having heard the presentations of the parties, the Court makes the following findings of fact and conclusions of law:

(A) The Chicago Housing Authority (the "CHA") has joined in plaintiffs' Motion for the appointment of a receiver for the reasons which CHA has heretofore stated in this cause.

(B) This Court has concluded that it has no reasonable alternative but to exercise its inherent power to effectuate its own orders and to so appoint said receiver for the scattered site program in accordance with the provisions of this order. It is the expectation of this Court that the appointment of a receiver will facilitate cooperation between the United States

Department of Housing and Urban Development ("HUD"), CHA and the receiver respecting the scattered site program.

(C) For purposes of this Order the "scattered site program" shall mean (i) the buildings and vacant sites listed in Exhibit A attached hereto (collectively, the "Uncompleted Units") and (ii) CHA Development Programs numbered IL 2-096, IL 2-098, IL 2-103 through IL 2-109, and IL 2-113 (excluding any completed buildings in such programs) and all CHA non-elderly public housing development programs which may in the future be authorized by HUD during the pendency of Civil Action No. 66 C 1459.

WHEREFORE, IT IS HEREBY ORDERED:

1. The Court hereby appoints Daniel E. Levin and The Habitat Company jointly as receiver ("Receiver") to develop and administer the scattered site program as effectively and expeditiously as possible in compliance with the orders of this Court, such appointment to be effective as of the Effective Date (defined below). Until the Effective Date, CHA shall continue to be responsible for implementing the scattered site program in compliance with the prior orders of this Court. On the Effective Date CHA shall turn over to the Receiver possession and control of the Uncompleted Units, it being understood, however, that title to the Uncompleted Units shall remain in the name of CHA.

2. The Receiver shall have and exercise all powers of CHA respecting the scattered site program necessary and incident to the development and administration of such program, including:

(a) Making all determinations governing the scattered site program in compliance with prior and future orders of this Court, including without limitation (i) submission to HUD of applications for funding, development programs and other documents, (ii) site selection and acquisition (including policies respecting the location of sites and buildings to be acquired), (iii) the relocation of occupants, when necessary and (iv) construction and rehabilitation of dwelling units and the design and specifications therefor in compliance with applicable laws and ordinances; and

(b) Carrying out the determinations so made, including without limitation (i) negotiating and executing any contracts or other documents necessary or appropriate to implement the scattered site program, (ii) employing, transferring and discharging staff for the scattered site program, (iii) purchasing insurance insuring the Receiver, and the interest of CHA if feasible and available at no additional cost, against liability for such risks and in such amounts as the Receiver and HUD shall from time to time agree upon, (iv) managing and administering buildings included within the scattered site program prior to the turnover thereof to the CHA in accordance with Paragraph 5 below, and (v) doing such other acts and things, including site selection and acquisition in the name of CHA, construction and rehabilitation of dwelling units and retaining the services of such personnel, consultants, attorneys, accountants and other professionals, as are determined by the Receiver to be necessary and appropriate to implement the scattered site

program and to enable the Receiver to discharge its duties pursuant to the provisions hereof.

3. The Receiver shall have the right at any time, upon due notice to the parties hereto, to make application to the Court requesting that the Receiver be excused from complying with some or all of the provisions set forth in the Annual Contributions Contracts heretofore entered into between HUD and CHA (collectively, the "ACC"), the HUD Procurement Handbook for Public Housing Agencies No. 7460.8, the HUD Public Housing Development Handbook No. 7417.1, or other applicable rules and regulations, or applicable laws or ordinances, or that as to the Receiver, the requirements of such agreements, provisions, laws, ordinances, rules and regulations be modified, if the Receiver determines that compliance therewith would be costly, inefficient or otherwise impede or restrict its ability to carry out this Court's orders. Nothing contained herein shall be deemed to constitute a determination by the Court, or the consent or an acknowledgement by HUD or CHA, that the Court has the jurisdiction or authority to grant any of the foregoing relief.

4. The Receiver shall have no obligation to make any expenditure except from funds provided by HUD in accordance with procedures to be agreed upon between HUD and the Receiver. The Receiver shall keep separate accounts for costs incurred in connection with the scattered site program from and after the Effective Date. The Receiver shall not be responsible for (i) payment of any costs or performance of any obligations incurred

to CHA by virtue of any previous order of this Court or otherwise, or (iii) constitute a determination of the amount of funds which HUD is obligated to furnish by virtue of such previous orders or otherwise.

10. The Receiver is hereby excused from complying with Rule 9(b) of the Civil Rules of the United States District Court for the Northern District of Illinois.

11. The effective date of this Order (the "Effective Date") shall be the date upon which the Receiver has filed with this Court and served upon the parties hereto a notice signifying that the Receiver is satisfied that there is in force the insurance coverage referred to in Paragraph 2(b)(iii) above.

12. Except as and to the extent specifically provided in this Order, this Court's judgment orders previously entered herein, as previously modified, remain in full force and effect. The Court retains jurisdiction of this matter for all purposes, including enforcement and issuance, upon proper notice and motion, of orders modifying or supplementing the terms of this order upon the presentation of relevant information or material changes in conditions existing at the time of this order or any other matter.

ENTER:


United States District Judge

August 14, 1987

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

DOROTHY GAUTREAUX, et al.)
)
 Plaintiffs,)
)
 v.)
)
CHICAGO HOUSING AUTHORITY,)
)
 Defendant.)

No. 66 C 1459

MEMORANDUM OPINION AND ORDER

MARVIN E. ASPEN, Chief Judge:

Nearly thirty years ago, United States District Judge Richard B. Austin entered a judgment order against the Chicago Housing Authority (the CHA) with the hopes of correcting the effects of that agency's unconstitutional public housing site selection and tenant assignment procedures. *Gautreaux v. CHA*, 304 F. Supp. 736 (N.D. Ill. 1969). Blacks then made up 90% of the CHA's tenant base, but the CHA had deliberately restricted the number of blacks who could live in the four housing projects which were located in predominantly white areas, to the point where 93% to 99% of the tenants in those units were white. *Gautreaux v. CHA*, 296 F. Supp. 907, 909 (N.D. Ill. 1969). The other CHA units -- the 99 1 2 % which were located in predominantly black areas -- housed the rest of the CHA's tenants, 99% of whom were black. *See id.* at 910. This arrangement, ruled Judge Austin, violated the Fourteenth Amendment. *See id.* at 914. And in a comment worth recalling here for its relevance today, he wrote:

It is . . . undeniable that sites for the projects which have been constructed were chosen primarily to further the praiseworthy and urgent goals of low cost housing and *urban renewal*. Nevertheless, a deliberate policy to separate the races cannot be justified by the good intentions with which other laudable goals are pursued.

Id. (citing *Brown v. Board of Educ.*, 347 U.S. 483 (1954)) (emphasis added).

The building block of Judge Austin's remedial judgment order was the Dwelling Unit, "an apartment or single family residence which is to be initially made available to and occupied by a low-income, non-elderly family, subsequent to the date hereof, directly or indirectly by or through CHA." *Gautreaux*, 304 F. Supp. at 737. He barred the CHA from "authoriz[ing], approv[ing], or implement[ing] any plan for Dwelling Units" or from "seek[ing] any approval or request or accept[ing] any assistance from any government agency with respect thereto" unless the plan's Dwelling Units were located in conformity with the order's requirements. *Id.* at 738. The order mandated that the CHA erect three Dwelling Units in a General Area (i.e. areas in Cook County with a white population of 70% or more) for every one Dwelling Unit it erected in a Limited Area (i.e. areas with a minority population of 30% or more). *Id.* at 738-39, though it did not *require* any new construction. This ratio was later changed from 3-to-1 to 1-to-1.

In 1993, the CHA applied for and received \$50 million from the Department of Housing and Urban Development (HUD) under the auspices of the HOPE VI program (an acronym for Homeownership and Opportunity for People Everywhere). Congress created the HOPE VI program in 1992 with the goal of "empower[ing the] residents of severely distressed and obsolete public housing." S. REP. 102-356, at 70 (1992). It intended to accomplish this via a three-part plan: (1) eliminating or (in some form) replacing dilapidated public housing structures, (2) providing residents of those structures with the skills necessary to achieve self-sufficiency, and (3) instilling a sense of community activism in residents of the blighted areas. *See id.* at 71.

It is the first part which is now at issue, as the CHA believes that it must spend its HOPE VI construction funds exclusively in the "3 separately defined areas containing the community's most severely distressed projects," to which the 1992 HOPE VI appropriation refers. *See* Pub. L. No. 102-389, 106 Stat. 1579 (codified as a Note to 42 U.S.C. § 1473f). This would mean, of

course, that any construction of new public housing units would take place in the distressed areas, which, by unfortunate circumstance, are also Limited Areas as defined by the judgment order. Recognizing that the judgment order requires equal construction in the General and Limited Areas, the CHA has asked that we "clarify" the judgment order and read it as not governing any use of HOPE VI funds.

The plaintiffs take issue with this request. They have previously pointed out to this Court that the construction of new public housing units is no longer in vogue, *see Gautreaux v. CHA*, 981 F. Supp. 1091, 1093 (N.D. Ill. 1997), and the HOPE VI money may be one of the few remaining funding sources for the construction of desegregated housing. Of course, if construction funds permanently dry up (and if the plaintiffs do not succeed in convincing us to modify the judgment order, *see, e.g., id.* at 1093-94), then this particular effort to desegregate public housing in Chicago will come to an end. We need not contemplate this possibility today, however, for the dilemma posed by the CHA -- that the HOPE VI program compels spending only in Limited Areas while the judgment order compels equal spending in General Areas -- rests on an illusion.

The 1992 HOPE VI authorization contemplates an "urban revitalization demonstration program involving major reconstruction of severely distressed or obsolete public housing projects," which is to be focused on "up to 3 separately defined areas containing the community's most severely distressed projects." Pub. L. No. 102-389. This does not, however, amount to a

The CHA attempts to draw a distinction between replacement construction -- construction which does not add to the agency's aggregate housing stock -- and wholly new construction; the CHA argues that the injunction only governs the latter. This distinction may, as the CHA claims, have great significance to other housing decisions, but the judgment order does not differentiate between replacement construction and new construction; it speaks simply of Dwelling Units "initially made available to and occupied by a low-income, non-elderly family, subsequent to the date hereof." *Gautreaux*, 304 F. Supp. at 737. Housing units constructed with HOPE VI funds obviously qualify, and the use of such funds for the ends of desegregation is in keeping with the sweeping nature of the judgment order, the terms of which are as broad as the violation which it was designed to correct.

requirement that all HOPE VI money must be spent physically within those distressed areas. One way to revitalize a distressed public housing neighborhood is to tear down some of the units there and rebuild them elsewhere, thereby lessening the concentration of public housing on the old site. See Pub. L. No. 104-134, 110 Stat. 1321 (the 1996 HOPE VI appropriation, providing funds for "replacement housing which will avoid or lessen concentration of very low-income families"); Pub. L. No. 104-204, 110 Stat. 2874 (the 1997 HOPE VI appropriation, providing for the same). HUD's HOPE VI Guidebook contemplates just such an approach, discussing "[p]ublic housing development (including on-site reconstruction *as well as construction of off-site housing*) funded by HOPE VI," Pls.' Br. Ex. D (Guidebook p. 1.D.1) (emphasis added), and the legislative history is in agreement, see S. REP. 102-350, at 73 ("The balance of the [demolished] units could be replaced through . . . traditional replacement means, including major reconstruction and *scattered-site development* [emphasis added]. . . ."). In a similar vein, the HOPE VI program also requires that some demolished public housing be replaced by Section 8 housing vouchers, see Pub. L. 103-124, which may be used without regard to the boundaries of the General or Limited Areas. See 42 U.S.C. § 1473f(r). We see no incompatibility between the HOPE VI program and the judgment order.

It is ironic that the CHA has chosen to argue that it must use the HOPE VI funds for urban renewal and to the exclusion of desegregation, for, as we observed earlier, in 1969 it attempted to characterize desegregation as a byproduct of urban renewal efforts. No matter: Congress and HUD, through HOPE VI, have afforded the CHA an opportunity both to revitalize distressed public housing neighborhoods and to desegregate public housing, and the CHA is duty-bound to vigorously pursue desegregation opportunities. See *Gautreaux*, 304 F. Supp. at 741 (judgment order Article VIII); see also *Gautreaux v. Landrieu*, 498 F. Supp. 1072, 1075 (N.D. Ill. 1980) ("Difficulty in attaining racially integrated public housing shall not be further condoned. . . . The CHA must have only one concern, housing in compliance with the repeated orders of this Court.").

We hold that the judgment order governs the CHA's use of HOPE VI funds. Accordingly any construction of public housing in Cook County must conform to the judgment order's locational requirements. It is so ordered.

MARVIN E. ASPEN
United States District Judge

Dated 2/23/58

Funding Availability for Revitalization of Severely Distressed Public Housing (HOPE VI Revitalization)

Program Description: Approximately \$41 million is available in funding for the Revitalization of Severely Distressed Public Housing (the "HOPE VI Revitalization Program"), as provided in the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998. The continued funding of the HOPE VI Program is to enable revitalization and transformation of the physical site of severely distressed public housing developments and the social dynamics of life for low-income residents at that site, or in any off-site replacement housing.

Application Due Date: Applications must be received at HUD Headquarters on or before 12:00 pm, Eastern time on June 29, 1998, at HUD Headquarters. See the General Section of this SuperNOFA for specific procedures governing the form of application of submission (e.g., mailed applications, express mail, overnight delivery, or hand carried).

Addresses for Submitting Applications: One copy of the completed application must be received at HUD Headquarters, 451 Seventh Street, SW, Room 4138, Washington, DC 20410, Attention: Deputy Assistant Secretary for Public Housing Investments. In addition, two copies of the completed application also must be received at the appropriate HUD Field Office HUB.

For Application Kits. Further Information. Technical Assistance:

For Application Kits. A copy of the application kit will be mailed to every eligible PHA. Application kits and any supplementary information also may be obtained by contacting the SuperNOFA Information Center at 1-800-HUD-8929. Persons with hearing or speech impairments may call the Center's TTY number at 1-800-483-2209. The application kit also will be available on the Internet through the HUD web site at <http://www.HUD.gov>. When requesting an application kit, please refer to HOPE VI and provide your name, address (including zip code), and telephone number (including area code).

For Further Information and Technical Assistance. For answers to your questions, you may call Mr. Milan Ozdinec, Director, Office of Urban Revitalization, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 4142, Washington, DC 20410; telephone (202) 401-8812 (this is not a toll free number). Persons with hearing or speech impairments may

access this number via TTY by calling the Federal Information Relay Service at 1-800-877-8399.

I. Additional Information

(A) Authority

The funding for HOPE VI Revitalization grants under this SuperNOFA is provided by the FY 1998 HUD Appropriations Act under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)."

(B) Purpose

The purpose of the HOPE VI Program is to enable revitalization and transformation of the physical site of severely distressed public housing developments and the social dynamics of life for low-income residents at that site, or in any off-site replacement housing. The HOPE VI Revitalization Program provides for grants to public housing agencies to assist in:

(1) The demolition of severely distressed public housing projects or portions of these projects;

(2) The revitalization (where appropriate) of sites (including remaining public housing units) on which such projects are located;

(3) The provision of replacement housing which will avoid or lessen concentration of very low-income families;

(4) Tenant-based assistance in accordance with section 8 of the U.S. Housing Act of 1937;

(5) Assisting tenants displaced by demolition.

The FY 1998 HOPE VI appropriation also provides for grant funds to be used for the demolition of severely distressed elderly public housing projects and the replacement, where appropriate, and revitalization of the elderly public housing as new communities for the elderly designed to meet the special needs and physical requirements of the elderly.

(C) Amount Allocated

(1) **Revitalization grants.** Approximately \$416 million of the FY 1998 HOPE VI appropriation has been allocated to fund HOPE VI Revitalization grants.

(2) **Elderly Housing grants.** In accordance with the FY 1998 HUD Appropriations Act, \$26 million of the HOPE VI appropriation has been allocated to fund projects proposing demolition of severely distressed elderly public housing projects and the replacement, where appropriate, and revitalization of the elderly public housing as new communities for the elderly designed to meet the special

needs and physical requirements of the elderly.

(a) Targeted developments may be either:

(i) Housing designated for the elderly, persons with disabilities, or mixed-populations, in accordance with section 7 of the U.S. Housing Act of 1937; or

(ii) Projects of a PHA designated as elderly by HUD in accordance with requirements in effect prior to enactment of the Housing and Community Development Act of 1992.

(iii) A PHA may, after revitalization, designate the targeted development through a HUD-Approved allocation plan.

(b) Applications targeting elderly developments will be rated in a separate competition, and will be ranked only with other elderly applications.

(c) Of the \$26 million made available for elderly housing, the FY 1998 HUD Appropriation Act included up to \$10 million for Heritage House in Kansas City, Missouri. HUD awarded \$6,570,500 to Heritage House under the FY 1997 HOPE VI NOFA, therefore the full \$10 million will not be needed. After funding the needs of Heritage House, the balance of the \$10 million set-aside will be made available for Elderly Housing grants eligible for funding under this SuperNOFA.

(3) **HOPE VI Demolition-Only Grants.** Up to \$60 million in HOPE VI funds will be made available for the demolition of obsolete public housing without revitalization. Those funds will be distributed through a separate NOFA.

(4) **Section 8.** Up to \$91 million (approximately 10,000 units) has been allocated for Section 8 tenant-based certificates and vouchers for public housing relocation or public housing replacement (including units selected for the HOPE VI Program). The Section 8 funds will be allocated by HUD after HUD approval of the applicant's demolition/disposition application or distressed public housing conversion plan submitted in lieu of a demolition/disposition application in conformance with the statutory requirements for the mandatory conversion of distressed public housing units as required by section 202 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996. These section 8 funds will be distributed through a separate notice.

(D) Eligible Applicants

PHAs that own public housing units are eligible to apply. Indian Housing Authorities are not eligible to apply.

(E) Eligible Activities and Program Authority

Eligible activities are those eligible under sections 5 and 14 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f, 1437l) (1937 Act). Revitalization activities using HOPE VI funds must be for public housing developments. Accordingly, certain activities under the revitalization plan are subject to statutory requirements applicable to public housing developments under the U.S. Housing Act of 1937 (the 1937 Act), other statutes, and the ACC. Within such restrictions, HUD seeks innovative solutions to the long-standing problems of severely distressed developments.

In order to satisfy any particular statutory requirement, a Grantee may take measures as described in implementing regulations, or upon request to HUD for a different approach, as otherwise approved in writing by HUD. As of the date of publication of this SuperNOFA, the provisions of section 14(q) of the U.S. Housing Act of 1937, as amended by section 201 of the FY 1996 HUD Appropriation Act, including provisions in sections 14(q)(2), (3), and (4) of the U.S. Housing Act of 1937 concerning mixed-income development, have not been extended to cover FY 1998 HOPE VI or section 14 Modernization Funding.)

The recipient must conduct the following activities, which may be undertaken with HOPE VI grant funds, in accordance with the cited program requirements or otherwise with HUD's written approval, consistent with the 1998 Appropriations Act and this SuperNOFA. Activities which may be funded with HOPE VI grant funds include but are not limited to:

(1) Total or partial demolition of buildings, in accordance with 24 CFR part 970;

(2) Disposition of property, in accordance with 24 CFR part 970;

(3) Public housing development through the acquisition of land, or acquisition of off-site units with or without rehabilitation to be used as public housing, in accordance with 24 CFR part 941;

(4) Major rehabilitation and other physical improvements of housing and community facilities primarily intended to facilitate the delivery of self-sufficiency, economic development, or other supportive service opportunities for residents of the targeted development, in accordance with 24 CFR 968.112(b), (d), (e), and (g)-(o), 24 CFR 968.130, and 24 CFR 968.135(b) and (d);

(5) Construction of replacement rental housing, both on-site and off-site, and

community facilities primarily intended to facilitate the delivery of self-sufficiency, economic development, or other supportive service opportunities for residents of the targeted development and off-site replacement housing, in accordance with 24 CFR part 941, including mixed-finance development in accordance with subpart F;

(6) Homeownership units will be deemed Replacement Units only as specified in the Urban Revitalization heading of the 1993 Appropriations Act (Pub.L. 102-389; approved October 6, 1992); that is, if they meet the statutory requirements of the Section 5(h) Program (42 U.S.C. 1437c(h)); the HOPE II program (42 U.S.C. 12871-80; Pub. L. 101-625, secs. 421-31; 104 Stat. 4079, 4162-72); the HOPE III program (42 U.S.C. 12891-98; Pub.L. 101-625, secs. 441-48; 104 Stat. 4079, 4172-80); or are made available through housing opportunity programs of construction or substantial rehabilitation of homes meeting essentially the same eligibility requirements as the Nehemiah Program.

(7) Management improvements;

(8) Administration, planning, and technical assistance;

(9) Programs designed to help residents gain employment and attain self-sufficiency;

(10) Programs designed to meet the special needs and physical requirements of the elderly and/or disabled and enable the elderly and/or disabled to live where one chooses with dignity, control, and independence.

(11) Relocation, conducted in accordance with 24 CFR 970.5 (demolition) or 24 CFR 968.108 (rehabilitation), as appropriate.

(F) Waivers

PHAs may request, for the revitalized development, a waiver of HUD regulations (that are not statutory requirements) governing rents, income eligibility, or other areas of public housing management to permit a PHA to undertake measures that enhance the long-term viability of a development revitalized under this program.

(G) Limitations on Use of Funds

No funds awarded for the HOPE VI Revitalization Program under this SuperNOFA shall be used for any purpose that is not provided for under the: FY 1998 HUD Appropriations Act; United States Housing Act of 1937; the Appropriations Acts for the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies, for the Fiscal Years 1993, 1994, 1995, and 1997; and the Omnibus Consolidated Rescissions

and Appropriations Act of 1996. Additionally, no funds awarded for the HOPE VI Program under this SuperNOFA shall be used directly or indirectly by granting competitive advantage in awards to settle litigation or pay judgements.

II. Program Requirements

In addition to the program requirements listed in the General Section of this SuperNOFA, applicants are subject to the following requirements:

(A) Severely Distressed

In order to be eligible for HOPE VI funding, a public housing development, or portion of the development, must be severely distressed as to physical condition, location, or other factors, making the development, in its current condition, unusable for housing purposes. Major problems indicative of severe distress are:

(1) *Physical Condition*: structural deficiencies (e.g. settlement of earth below the building caused by inadequate structural fills, faulty structural design, or settlement of floors), substantial deterioration (e.g., severe termite damage or damage caused by extreme weather conditions), or other design or site problems (e.g., severe erosion or flooding).

(2) *Location*: physical deterioration of the neighborhood; change from residential to industrial or commercial development; or environmental conditions as determined by HUD environmental review, which was previously conducted in accordance with 24 CFR part 50, which jeopardize the suitability of the site or a portion of the site and its housing structures for residential use.

(3) Other factors which have seriously affected the marketability, usefulness, or management of the property, such as significant numbers of families living in poverty, significant incidence of serious crime, high vacancy rate, high turnover rate, low rent collections, etc.

(B) Grant Limitations

The following grant amount limits apply to HOPE VI grants under this SuperNOFA. The grant amount shall be limited by the total amount determined by addition of paragraphs (1), (2), (3), and (4) below, as applicable.

(1) *Total Development Cost (TDC)*. TDC is limited to the sum of:

(a) TDCs up to, but not to exceed 100% of, HUD's published TDC limits for the costs of demolition and new construction multiplied by the number of public housing Replacement Units; and/or

(2) HUD may grant an exception to the exclusion in paragraph (1) of this section on a case-by-case basis when it determines that such an exception will serve to further the purposes of the program and the effective and efficient administration of the revitalization activities. HUD will consider an exception only after the applicant or recipient has provided a disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made, and an opinion of the applicant's or recipient's attorney that the interest for which the exception is sought would not violate State or local laws. In determining whether to grant a requested exception, HUD will consider the cumulative effect of the following factors, as applicable:

(a) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the revitalization program that would otherwise not be available;

(b) Whether an opportunity was provided for open competitive bidding or negotiation;

(c) Whether the person affected is a member of a group or class intended to be the beneficiaries of the activity, and the exception will permit such person to receive generally the same interest or benefits as are being made available or provided to the group or class;

(d) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decisionmaking process, with respect to the specific activity in question;

(e) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (1) of this section;

(f) Whether undue hardship will result either to the applicant, recipient, or the person affected when weighted against the public interest served by avoiding the prohibited conflict; and

(g) Any other relevant considerations.

(J) Labor Standards

Where HOPE VI funds provide assistance with respect to low-income housing that will be subject to a contract for assistance under the U.S. Housing Act of 1937, Davis-Bacon or HUD-determined wage rates apply to development or operation of the housing to the extent required under section 12 of the Act. Under section 12, the wage rate requirements do not apply to individuals who: perform services for which they volunteered; do not receive compensation for those services or are paid expenses, reasonable benefits, or a nominal fee for the services; and are not

otherwise employed in the work involved (24 CFR part 70). In addition, if other Federal programs are used in connection with the revitalization program, labor standards requirements apply to the extent required by such other Federal programs, on portions of the development that are not subject to Davis-Bacon rates under the Act.

(K) Lead-Based Paint Testing and Abatement

Any property assisted under the HOPE VI Program is covered by the Lead-Based Paint Poisoning Prevention Act (24 U.S.C. 4821 *et seq.*) and is therefore subject to 24 CFR part 35; 24 CFR part 965, subpart H; and 24 CFR 968.110(k).

(L) Building Standards

All activities that include construction, rehabilitation, lead-based paint removal, and related activities:

(1) Must meet or exceed local building codes; and

(2) Must comply with the 1992 Model Energy Code issued by the Council of American Building Officials.

(M) Program Income

Where a plan contemplates the receipt of program-related income prior to grant closeout (e.g., from sale of homeownership Replacement Units, or the disposition of improved land), such income must be reflected in the HOPE VI budget and used for program purposes.

III. Application Selection Process

(A) Threshold Criteria for Funding Consideration

(1) The applicant must be an eligible Public Housing Agency.

(2) The targeted public housing development or portion thereof must be severely distressed, as defined in Section II(A) of this HOPE VI Program section of the SuperNOFA.

(3) The application must include all required forms, certifications and assurances, properly signed and executed, after any period provided for the curing of deficiencies consistent with section V below.

(4) Applications that propose new construction or replacement housing must comply with the requirements of section 6(h) of the 1937 Act by submitting the information described in either paragraphs (a) or (b) of this section:

(a) A PHA comparison of the costs of new construction (in the neighborhood where the PHA proposes to construct the housing) and the costs of acquisition of existing housing or acquisition and rehabilitation in the same neighborhood

(including estimated costs of lead-based paint testing and abatement), or

(b) A PHA certification, accompanied by supporting documentation, that there is insufficient existing housing in the neighborhood to develop housing through acquisition of existing housing or acquisition and rehabilitation.

(B) Application Rating Factors

The factors for rating and ranking applications and the maximum points for each factor, are provided below. The maximum number of points for each application is 102. This includes two EZ/EC bonus points, as described in the General Section of this SuperNOFA.

Rating Factor 1: Capacity of the Applicant and Relevant Organizational Experience (20 Points)

This factor addresses the extent to which the applicant has the organizational resources necessary to successfully implement the proposed activities in a timely manner. In order to ensure that revitalization efforts take place without delays attributable to administration and management, applications that demonstrate the highest degree of capability to implement revitalization in an expeditious manner upon grant award will be awarded the most points under this rating factor.

The rating of the "applicant" or the "applicant's organization and staff," unless otherwise specified, will include any sub-contractors, consultants, subrecipients, and members of consortia which are firmly committed to the project.

In rating this factor, HUD will consider the extent to which:

(1) The applicant and/or its proposed partners, including the overall proposed project director and staff, the day-to-day program manager, consultants, and contractors, have knowledge and recent, successful experience in planning, implementing, adapting, and managing:

(a) Revitalization activities;

(b) Self-sufficiency programs;

(c) Supportive services for the elderly, if applicable;

(d) Other programs similar in scope or nature to the proposed activities.

HUD does not require that the applicant have its program manager and/or developer selected prior to submission of the application, although the PHA may elect to do so. Rather, the PHA must demonstrate its capacity or its ability to identify needs in its current staffing to successfully implement its program, and/or describe in detail its proposed method for securing a program manager and/or development partner to implement the plan.

(2) The applicant has adequate experience in management and marketing. The applicant has thoroughly evaluated the obstacles that prevented good management, as well as other problems that contributed to the obsolescence of the targeted development, and the new management plan will protect against such obstacles and problems and will improve the efficiency and economy of management. PHAs may propose private management or self-management, but in the latter case *must* demonstrate its capacity to self-manage; or

(3) The applicant has sufficient personnel or will be able to procure partners quickly to implement the revitalization plan in a timely and effective fashion immediately after grant award;

(4) The applicant proposes an appropriate balance of oversight and autonomy in its use of partners and/or contractors;

(5) The applicant has satisfactory managerial experience with resident initiatives;

(6) If the applicant received HOPE VI funding in previous years, HUD will evaluate its ability to demonstrate progress through its expenditure rate and achievement of program objectives.

Rating Factor 2: Need/Extent of the Problem (20 Points)

This factor addresses the extent to which there is a need for funding the proposed program activities to address a documented problem in the target area.

In rating this factor, HUD will consider:

(1) The extent to which the applicant has documented a critical level of need for the proposed activities at the targeted development. Documentation of need must demonstrate that:

(a) There is a significant level of physical deterioration of buildings and sites, as supported by information and data which shows the extent of physical problems at the site such as major structural deficiencies, electrical systems under code, poor site conditions, leaking roofs, deteriorated infrastructure, high levels of deferred maintenance, number of units that do not meet Housing Quality Standards, levels of lead based paint, and other factors;

(i) The level of distress at the site is urgent and threatens to become imminently greater without immediate intervention;

(ii) The PHA lacks the funds to revitalize the development to provide decent, safe, and sanitary housing at the site;

(b) The level of physical distress in the surrounding community is extreme and contributes to the obsolescence of the site, as evidenced by information and data addressing such factors as housing density, housing deterioration, and lack of adequate infrastructure or utilities;

(c) The community as a whole has a demonstrated level of social distress, as evidenced by indicators such as significant incidence of criminal activity, a high vacancy rate, high rates of housing turnover, truancy, and unemployment, low rates of rent collections, graduation, and other objective, measurable indicators;

(d) The distress at the site was caused or exacerbated by obsolescence, not factors within the applicant's control;

(2) The extent to which the level of need for the proposed activity and the urgency in meeting the need are documented with statistics and analyses contained in a data source(s) that is sound and reliable. To the extent that the applicant's community's Consolidated Plan and Analysis of Impediments to Fair Housing Choice (AI) identifies the level of the problem and the urgency in meeting the need, references to these documents should be included in the response. The Department will review more favorably those applicants who used these documents to identify need, when applicable.

If the proposed activity is not covered under the scope of the Consolidated Plan and Analysis of Impediments to Fair Housing Choice (AI), applicants should indicate such, and use other sound data sources to identify the level of need and the urgency in meeting the need. Types of other sources include, but are not limited to, Census reports, Continuum of Care gaps analysis, law enforcement agency crime reports, Public Housing Authorities' Five Year Comprehensive Plan, and other sound and reliable sources appropriate for the specific SuperNOFA program and activities for which an applicant is applying. For technical assistance programs, input from HUD State and Area Office(s) and assessments are included among the data sources that may be used to identify need.

(3) The PHA agrees that they are subject to the provisions found at 24 CFR part 971 and that they are required to submit a conversion plan, i.e., a plan for removal of the distressed development from the public housing inventory, in accordance with the requirements at 24 CFR 971.7(b).

Rating Factor 3: Soundness of Approach (40 Points)

This factor addresses the quality and cost-effectiveness of the applicant's proposed revitalization plan. There must be a clear relationship between the proposed activities, community needs and the purpose of the program funding for an applicant to receive points for this factor. In rating this factor, HUD will consider the extent to which:

(25 Points for Subfactors (1) through (7))

(1) There is a demonstrated considerable market for the revitalized and/or replacement units of the type and size proposed;

(2) The purposes and goals of the program for which funding is requested, will be achieved within an appropriate and reasonable timeframe and program activities will result in measurable accomplishments consistent with the purposes of the program.

(3) The cost estimates of program activities:

(a) Are financially sustainable over the long run;

(b) Are developed through the use of technically competent methodologies

(c) Represent a cost-effective plan for designing, organizing and carrying out the proposed activities;

(d) Are reasonable for the work to be performed and consistent with rates established for the level of expertise required to perform the work in the proposed geographic area;

(e) Are projected to be within HUD TDC and Community and Supportive Service limits;

(f) Are reasonable relative to the cost of providing section 8 tenant-based assistance.

(4) The information and strategies described are coherent and internally consistent.

(5) The proposal will lessen concentration of low-income residents and create desegregation opportunities:

(a) The physical design of the proposed housing will significantly reduce the isolation of low-income residents and/or significantly promote mixed-income communities in well-functioning neighborhoods;

(b) Access to municipal services, job information, mentoring opportunities, transportation, and educational facilities will be increased;

(c) Operational and management principles will promote economic and social diversity;

(d) Intensive counseling will be provided to section 8 certificate or voucher holders to find housing in non-poor areas and prepare these residents for self-sufficiency;

and regulations, and may receive points under this factor if they meet the visitability standards adopted by the Department that apply to those units not otherwise covered by the accessibility requirements.

(b) PHAs are encouraged to promote greater opportunities for housing choice by making at least 5% of for-sale units accessible to individuals with mobility disabilities and 2% of for-sale units accessible to individuals who have visual or hearing disabilities.

(c) Innovative designs are encouraged, particularly with respect to for-sale house configurations, which simultaneously meet accessibility requirements and achieve marketability for non-disabled households.

(d) Program activities should aid a broad diversity of eligible residents, including those that have been traditionally underserved. Efforts to increase community awareness in a culturally sensitive manner through education and outreach will also be evaluated, if applicable.

Rating Factor 4: Leveraging Resources (10 Points)

This factor addresses the ability of the applicant to secure additional resources for the proposed activities which can be combined with HUD's program resources to achieve program purposes. Resources include in-kind contributions such as staff or supplies; grants, loans, and other financing; or other types of contributions to the program activities. This factor emphasizes the importance of a PHA not just seeking endorsements and vendor relationships with others, but actively enlisting other stakeholders who are vested in the revitalization effort, including public and private non-profit and for-profit entities with experience in the development and/or management of low- and moderate-income housing, those that are skilled in the delivery of services to residents of public housing, educational institutions, foundations, banks, and other organizations. HUD will evaluate the strength of commitment articulated in letters of support.

If a PHA is also a redevelopment agency or otherwise has citywide responsibilities, HUD will consider the city's redevelopment or other functional area to be a separate partner with which the housing authority function is partnering, where appropriate.

In rating this factor, HUD will consider the extent to which:

(1) The PHA has initiated strong partnerships with entities that will provide significant, *firm* funding and other commitments if HOPE VI funds are awarded. Applicants must provide

evidence of leveraging and partnerships by including in the application letters of firm commitments, memoranda of understanding, agreements to participate, or letters of support if firm commitments cannot be secured. All such documentation must include the organization's name, proposed level of commitment, and proposed responsibilities as they relate to the revitalization plan. The commitment must be signed by an official of the organization legally authorized to make commitments on behalf of the organization.

(2) The infusion of HOPE VI dollars will leverage additional resources after grant award, including municipal funds, charitable contributions, private debt and equity, and other partnerships which may not have a dollar value but are critical to the successful transformation of the development and the lives of its residents.

Rating Factor 5: Comprehensiveness and Coordination (10 Points)

This factor addresses the extent to which the applicant coordinated its activities with other known organizations, participates or promotes participation in a community's Consolidated Planning process, and is working towards addressing a need in a holistic and comprehensive manner through linkages with other activities in the community.

In rating this factor, HUD will consider the extent to which the applicant demonstrates that it has:

(1) Coordinated its proposed activities with those of other groups or organizations prior to submission in order to best complement, support and coordinate all known activities and if funded, the specific steps it will take to share information on solutions and outcomes with others. Any written agreements, memoranda of understanding in place, or that will be in place after award should be described;

(2) Taken or will take specific steps to become active in the community's Consolidated Planning process (including the Analysis of Impediments to Fair Housing Choice) established to identify and address a need/problem that is related to the activities the applicant proposes.

(3) Taken or will take specific steps to develop linkages to coordinate comprehensive solutions through meetings, information networks, planning processes or other mechanisms with:

(i) Other HUD-funded projects/activities outside the scope of those covered by the Consolidated Plan;

(ii) Civil rights organizations;

(iii) Local Area Agency on Aging, if applicable;

(iv) Local agency serving persons with disabilities, if applicable;

(v) Local Weed and Seed task force, if the targeted development is located in a designated Weed and Seed area; and

(vi) Other Federal, State or locally funded activities, including those proposed or on-going in the community.

(vii) Local law enforcement agencies and the local United States Attorney.

(C) Application Evaluation.

Awards under this HOPE VI Program section of the SuperNOFA will be made through a selection process that will award grants to the most meritorious applications.

(1) Revitalization Applications.

(a) HUD will preliminarily review, rate and rank each eligible application on the basis of the evaluation factors set forth in Section III(B) of this HOPE VI Program section of the SuperNOFA, above, excluding Factor 3(8), which is specific to applications proposing revitalization of elderly housing.

(b) A final review panel will assess each of the applications advanced to final review and will assign the final scores. The final review panel will review the scores of all applications:

(i) Whose preliminary score is above a base score established by HUD. HUD intends to set the base scores so that applications requesting a total of approximately \$900 million are advanced to the final review stage.

(ii) That proposed revitalization activities at sites for which HOPE VI revitalization implementation applications were submitted to HUD in the FY 1997 HOPE VI revitalization competition but were not selected for funding.

(c) HUD will select for funding the most highly-rated eligible applications up to available funding, except that HUD, in its discretion, may choose to select a lower-rated approvable application over a higher-rated application in order to increase the level of national geographic diversity of applications selected under this HOPE VI Program section of the SuperNOFA.

(2) Elderly Housing Grant Applications.

(a) HUD will preliminarily review, rate and rank each eligible application on the basis of the evaluation factors set forth in Section III(B), above, excluding Factor 3(9), which is specific to applications proposing revitalization of family housing.

(b) A final review panel will assess each application and will assign the final scores;

(c) HUD will select for funding the most highly-rated eligible applications up to available funding.

D) Notification of Funding Decisions.

(1) In accordance with the HUD Reform Act, HUD may not notify applicants as to whether or not they have been selected to participate until the announcement of the selection of all recipients for this HOPE VI Program under this SuperNOFA. HUD will provide written notification to all applicants.

(2) HUD's notification of award to a selected applicant will constitute a preliminary approval by HUD subject to:

(a) The completion of a subsidy layering review pursuant to 24 CFR 941.10(b);

(b) The execution by HUD and the recipient of a Grant Agreement; and

(c) A HUD environmental review. Selection for participation (preliminary approval) does not constitute approval of the proposed site. Each preliminarily-selected PHA must assist HUD in complying with environmental review procedures, conducted by HUD in accordance with 24 CFR part 50. The PHA may not acquire, rehabilitate, convert, lease, repair, or construct a property, or commit HUD or local funds to these activities, until written approval is received from the appropriate HUD Environmental Clearance Officer in its area, certifying that the proposed activities have been approved and the PHA is released from all environmental conditions. The results of the environmental review may require that proposed activities be modified or the proposed site rejected.

(E) Grant Agreement.

Because the HOPE VI Program does not have Federal regulations, upon selection for funding, HUD and the recipient will execute a Grant Agreement setting forth the amount of the grant and applicable rules, terms, and conditions, including sanctions for violation of the agreement. The Grant Agreement will set forth the precise schedules of the HOPE VI Program, provide program requirements, describe requirements for implementation of the revitalization plan, and provide any special conditions on the Grantee, as applicable. Among other things, the Grant Agreement will provide that the recipient agrees to:

(1) Carry out the program in accordance with the provisions of this

NOFA, applicable law, the approved application, and all other applicable requirements, including requirements for mixed finance development, and section 202 of OCRA;

(2) Comply with such other terms and conditions, including recordkeeping and reports, as HUD may establish for the purposes of administering, monitoring, and evaluating the program in an effective and efficient manner, including full cooperation with HUD's program oversight contractor;

(3) Assemble a team to implement the HOPE VI Program that has a strong management and development track record and has the capability to commence and carry out a quality HOPE VI program. If the Grantee fails to make this demonstration to the satisfaction of HUD and its program oversight manager, HUD will direct corrective actions as a condition of retaining the grant;

(4) Execute a construction contract within 18 months (or a period specified in the Grant Agreement). Failure to obligate funds will result in the enforcement of default remedies up to and including withdrawal of funding; and

(5) Establish interim performance goals and complete the physical component of the HOPE VI revitalization within 48 months of execution of the grant agreement. The Secretary shall enforce this requirement through default remedies up to and including withdrawal of funding that the PHA has not obligated. HUD will take into consideration those delays caused by factors beyond the control of the Grantee when enforcing these schedules; and

(6) Execute an ACC Amendment for Mixed-Finance development.

(F) Failure to Proceed

In the event that an applicant selected to receive HOPE VI funding does not proceed in a manner consistent with its application, HUD may withdraw any unobligated balances of funding and make this funding available, subject to applicable law, in HUD's discretion, to the next highest ranked applicant that was not selected for funding in the most recently conducted HOPE VI selection process or combined with funding under an upcoming competitive selection process. Failure to proceed with respect to obligated funds will be governed by the terms of the Grant

Agreement or ACC amendment, as applicable.

IV. Application Submission Requirements.

Each HOPE VI revitalization application must conform to the requirements of the HOPE VI Revitalization Application Kit, both in format and content. In addition to the forms, certifications and assurances required by Section II of the General Section of this SuperNOFA, each application must include the following, as directed by the application kit:

(A) A description of existing conditions that describes the extent of need for the program funds requested;

(B) Revitalization Plan which describes all revitalization activities to be funded in the application and details how the proposed work will be accomplished;

(C) For Revitalization applications, a description of plans for resident Self-Sufficiency Programs, including plans for resident consultation and documentation of resident involvement in the planning process;

(D) For Elderly Housing grant applications, a description of plans for resident services, including plans for resident consultation and documentation of resident involvement in the planning process;

(E) A proposed Management Plan which describes the capacity of the applicant and partners to carry out the plan, and proposed management principles which will be implemented to support revitalization efforts;

(F) Documentation of program financing and resources;

(G) A description of any capital funds received by the PHA within the past five years for improvement of the project, including but not limited to Modernization funding under section 14 and MROP funding.

(H) A program schedule.

(I) A certification that at least one public meeting was held to notify residents and community members of the proposed activities described in the application.

V. Corrections to Deficient Applications

The General Section of this SuperNOFA provides the procedures for corrections to deficient applications.

BILLING CODE 4210-32-P

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE

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OF COUNSEL
DAVID J. KRUPP
MAURICE ROSENFELD
WRITER'S DIRECT LINE

May 15, 1998

By Facsimile

Jerome Butler, General Counsel
The Chicago Housing Authority
200 W. Adams
Chicago, IL 60606

Re: Gautreaux

Dear Jerome:

On May 5, 1998, Dan Levin wrote Joe Shuldiner inviting Joe to meet with Dan and representatives of the City of Chicago to pursue the process of preparing a joint application for HOPE VI funding to be submitted to HUD by the June 29 deadline under the outstanding SuperNOFA of March 31, 1998. Dan's letter also asked for input from the CHA on a number of points necessary or desirable for the preparation of an application. Dan has received no response.

The time available for formulating an application is rapidly dwindling. As Receiver, Dan wants to be certain that a well-conceived application is submitted to obtain for Chicago funds that are needed and that can be used to construct public housing to implement the remedial orders in the Gautreaux case.

Under the Order of August 14, 1987 the CHA is obligated to cooperate with the Receiver in fulfilling the Receiver's responsibilities, which includes applying for funds for the construction of new, non-elderly dwelling units. Accordingly, unless we receive confirmation in writing from the CHA by 2 p.m. Monday, May

MILLER, SHAKMAN, HAMILTON, KURTZON & SCHLIFKE

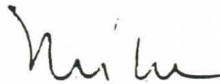
Jerome Butler

Page 2

May 15, 1998

18, that the CHA will provide that cooperation immediately, we will have no choice but to present the issue of CHA's failure to cooperate to Judge Aspen.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael L. Shakman".

Michael L. Shakman

MLS:ra

cc: Daniel Levin
Alex Polikoff



The Chicago Housing Authority

Edwin Eisendrath
Chairman

Joseph Shuldiner
Executive Director

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

Ed Moses
*Deputy Executive
Director for Community
Relations & Involvement*

Ana Vargas
*Deputy Executive
Director for Finance and
Administration*

Jerome M. Butler
General Counsel

April 30, 1997

Mr. Daniel Levin
Chairman
The Habitat Company
350 W. Hubbard St.
Chicago, Illinois 60610

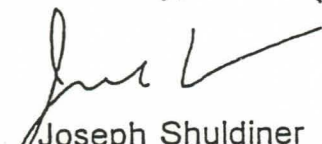
Dear Mr. Levin:

**SUBJECT: TRANSMITTAL OF EXECUTED HORNER HOPE VI
AND ABLA/BROOKS EXTENSION HOPE VI
DEVELOPMENT MANAGEMENT AGREEMENT**

Enclosed is one (1) original executed Horner HOPE VI and ABLA/Brooks Extension HOPE VI Development Management Agreement dated April 21, 1997. This document details provisions for The Habitat Company to perform development manager services for the 350 public housing replacement units contemplated under the HOPE VI Program. ABLA/Brooks Extension will receive 200 replacement public housing units and Henry Horner homes will receive 150 replacement public housing units.

Please do not hesitate to contact Andrew Rodriguez of my staff at (312) 791-8500, Extension 4501 if you have any questions or if we can provide assistance.

Sincerely,


Joseph Shuldiner
Executive Director

Enclosure

cc: Andrew Rodriguez, Director, Redevelopment Division
Valerie Jarrett, Executive Vice-President, The Habitat Company
Phillip Hickman, Senior Vice-President and Director of Scattered
Sites, The Habitat Company

EXHIBIT F

C O P Y

HORNER HOPE VI AND
ABLA/BROOKS EXTENSION
HOPE VI DEVELOPMENT MANAGEMENT AGREEMENT

April 21

This AGREEMENT ("Agreement") is made and entered into as of _____, 1997 between the Chicago Housing Authority, a municipal corporation organized and existing under the laws of the State of Illinois (the "Authority"), and The Habitat Company, an Illinois corporation ("Habitat").

RECITALS:

- A. The Authority is a public housing agency authorized to operate public housing in the City of Chicago pursuant to the Illinois Housing Authorities Act. Daniel Levin and The Habitat Company were appointed Receiver for the development of all non-elderly CHA public housing development programs on August 14, 1987, by the U.S. District Court (Gautreaux Case).
- B. The Authority submitted an application to the United States Department of Housing and Urban Development ("HUD") for funding of a Hope VI-Urban Revitalization Demonstration Program (Hope VI) pursuant to which HUD authorized the development of 200 units of housing to replace units scheduled for demolition in the public housing development community known as Brooks Extension (IL 2-31), which is a part of the combined public housing property known as ABLA (Abbott, Brooks, Loomis, Addams) and 150 units of housing to replace units scheduled for demolition in the public housing development community known as Henry Horner Homes - Phase II (IL 2-19), and Extension (IL 2-35), all as described in the application.
- C. HUD approved funding for the Hope VI-Urban Revitalization Demonstration Program and pursuant thereto, HUD and the Authority plan to enter into an Implementation Grant Agreement (Form HUD- 1 044) to develop 200 replacement public housing units for the total amount of twenty-four million four hundred eighty-three thousand two hundred fifty dollars (\$24,483,250), and to develop 150 replacement public housing units for the total amount of eighteen million four hundred thirty-five thousand three hundred dollars (\$18,435,300).
- D. Hope VI provides for the integration of public housing units into a sustainable, mixed-income community, which requires coordinated and comprehensive planning, and effective implementation of the plan.
- E. The Authority desires to contract with Habitat to be development manager for the 350 public housing replacement units contemplated under HOPE VI Program (The Program). The Authority may desire to delegate to Chicago Metropolitan Housing Development Corporation (CMHDC) certain responsibilities/activities referred to in this Agreement as those of the Authority.

- F. Notwithstanding this contract, the terms of the Receivership Order in the Gautreaux Case dated August 14, 1987, appointing Daniel Levin and The Habitat Company as Receiver for the development of all non-elderly CHA public housing development programs (Receiver) are not affected or altered in any way by this contract.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Obligations of Habitat and the Authority. Habitat and the Authority shall cooperate with each other in coordinating and managing the planning and implementation of the Program in accordance with the provisions of the Program in accordance with the provisions of the Annual Contribution Contract No. IL06URD00___ (Note: issuance by HUD is pending at this time (the "ACC")), as the same may be amended from time to time, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference. Habitat agrees that in performing its obligations hereunder, it will comply with all applicable laws, including but not limited to, the applicable provisions of the United States Housing Act of 1937, as amended, the ACC and the applicable HUD regulations and HUD handbooks, but nothing shall prevent Habitat from requesting the Authority to seek a waiver of any of the applicable provisions of any of the foregoing. Habitat understands that although the Authority may request a waiver from HUD, there is no guarantee that HUD will grant such a waiver. In such event, Habitat shall not be relieved of performing its obligations hereunder in accordance with all applicable laws and regulations.

- A. Planning Phase. The Authority in conjunction with Habitat shall solicit comment from the City of Chicago agencies, elected officials, community and business organizations and residents of ABLA. The Authority and Habitat shall solicit qualifications and proposals from, and retain design professionals and other consultants deemed necessary by Habitat to assist in the physical planning and coordination of the development contemplated. The Authority shall review with Habitat the proposals and approve of the contracts for the selected design professionals and consultants.

Habitat and the Authority shall solicit and analyze the proposals in light of the comments received. Habitat shall assist, as requested, and cooperate with the Authority with regard to the preparation of a revised HOPE VI Revitalization Plan for submission to HUD, if necessary, and after seeking approval from counsel for the Gautreaux plaintiffs, shall prepare a request to the U.S. District Court for permission to build replacement public housing in the ABLA area by declaring it a "Revitalizing Area."

- B. Implementation Phase. Upon the Authority's and HUD's approval of an acceptable development program (the "Approved Program"), Habitat shall in cooperation with the

Authority, be responsible for all aspects of the implementation phase of the Approved Program including, without limitation:

- 1) Land acquisition, as necessary;
- 2) Unit design and density;
- 3) Determination of form of construction arrangement and negotiation of terms thereof,
- 4) Development budgets for each phase of the Program;
- 5) Selection of design professionals and consultants;
- 6) Negotiation of contracts with developers selected by Habitat to implement the Approved Program and
- 7) Supervision of the construction during the construction phase and coordination with the Authority and HUD during the warranty and post-construction phases.

The Authority and Habitat shall each delegate a staff person as the Official Representative (O.R.) to respectively represent the Authority and Habitat in business matters regarding this Agreement. The O.R. (or his/her designee) of the Authority shall provide prompt review of any request for approvals by Habitat. Examples of situations/activities requiring prior approval by the Authority's O.R. are:

- a. Contracts to acquire real property;
- b. Final design and the development site plan;
- c. Selection of design professionals and consultants;
- d. Construction contracts;
- e. The total development cost (TDC) budget prepared for HUD approval.

The Authority's approval of the total development cost budget attached hereto as Exhibit B expressly authorizes Habitat to expend and draw down funds from CHA to the extent the amounts are within the limitations in the following budget categories: administration, planning and IOD, site acquisition (except for the property purchases).

Habitat shall advise the Authority in advance of all communications, presentations and submissions to government officials, community organizations or representatives in connection with its role as Development Manager for the Program. Should the Authority deem it appropriate for Authority personnel to become involved in the aforesaid activities, Habitat shall fully operate with the Authority in any such effort.

- C. Personnel and Performance Habitat shall devote such time and personnel as necessary for the diligent, effective, thorough and careful performance of its duties hereunder. Habitat agrees to use its best skill and judgment in the performance of its obligations hereunder and to cooperate with Authority staff or agents in promoting the interests of the Approved Program. Habitat agrees to provide timely administration and advice, and to provide professional superintendence and administration of the work related to the Approved Program.

D. No Employer/Employee Relationship. Notwithstanding the foregoing, it is explicitly acknowledged that Habitat is engaged as an independent contractor for the performance of the services described herein. The Authority and Habitat are not partners, or joint venturers, and have no employer/employee relationship.

2. Compensation. Habitat shall be paid a development manager fee ("Developer Fee") equal to the greater of 3% of the Total Development Cost ("TDC") or \$3672.49 per unit, for each completed unit of public housing under the Approved Program. This fee is provided for in the "planning" category of the Development Budget. Additionally, Habitat shall be reimbursed for all administrative costs directly associated with site acquisition, administration and planning ("Costs") listed in the Development Budget. Notwithstanding the foregoing, the sum of all Developer Fees and Administrative Costs payable by the Authority shall not exceed the greater of 7% of the TDC, or \$8569.14 per unit, whichever is greater. The portion of the Developer's Fee attributable to each completed unit shall be earned and paid upon completion (denoted by issuance of a Certificate of Occupancy by the City of Chicago) and transfer of such unit. Costs shall be paid within 30 days of receipt of an invoice. Habitat shall invoice the Authority no more than once each month. Notwithstanding the foregoing, it is expressly agreed to and acknowledged that the Authority shall not be responsible for the payment of salaries, wages or other employee compensation and benefits, FICA, payroll taxes, administrative costs, or any federal, state or local taxes relative to Habitat's business. In addition to the above fees and administrative costs to Habitat, the Authority shall receive fees of 3% of the TDC.

The Program contemplates the development of public housing but there may also be market rate housing in a mixed-income setting. To the extent that Habitat receives any development management fees or other compensation in connection with its role in the planning for and/or development of market rate housing, such fees or other compensation shall be divided between the Authority and Habitat as follows: 1/3(one third) to the Authority, 2/3(two thirds) to Habitat.

3. Resident Outreach. The Authority shall be the principal public spokesperson with respect to the Approved Program. As such, the Authority shall coordinate with, and be the principal communication link to the ABLA residents, their official representatives and their consultants. The Authority shall provide Habitat advance notice of such meetings and communications and shall cooperate with Habitat to facilitate the coordination of such communication by joint attendance at such meetings.

The Authority shall be responsible for the demolition and social service components of the Hope VI Program.

4. Cooperation of the Parties. The Authority and Habitat agree to fully cooperate with one another to carry out the planning and implementation of the Approved Program. Both parties agree to execute and deliver any all documents reasonably requested by the other or required

by any governmental authority relative to the Approved Program. The parties agree that if modifications of the ACC or waivers of HUD regulations or provisions are necessary to appropriately implement the Program, they will seek such amendments or waivers from HUD.

5. Indemnification. The Authority shall indemnify and hold Habitat harmless from and against all liabilities, costs, damages and expenses (including without limitation, reasonable attorneys' fees, disbursements and amounts paid in settlement of claims) incurred by Habitat in connection with the Authority's breach of any of its duties and obligations under this Agreement, except any resulting from the gross negligence, or willful breach of any obligation under this Agreement by Habitat, its agents, or others under its direct control. Habitat shall indemnify and hold the Authority harmless from and against all liabilities costs, damages and expenses (including without limitation, reasonable attorneys' fees, disbursements and amounts paid in settlement of claims) incurred by the Authority in connection with Habitat's breach of any of its duties and obligations under this Agreement, except any resulting from the gross negligence of Authority or its willful breach of its obligations under this Agreement.
6. Term. The term of this Agreement shall commence on the date hereof and shall expire upon completion of the Approved Program unless sooner terminated in accordance with the terms hereof. In the event that the (Program or) Approved Program is terminated, or otherwise limited or forestalled for reasons beyond the Authority's control, the Authority may, at its option, terminate this Agreement by written notice to Habitat. Upon termination of this Agreement, including termination pursuant to default, as provided in paragraph 7, Habitat shall immediately refrain from entering into any further contracts or agreements with respect to the implementation of the Approved Program, subject however to its obligations as Receiver, to the extent any obligations exist. Habitat shall also transfer to the Authority, at the time and in the manner reasonably directed by the Authority, all of its right, title and interest in completed and uncompleted work, supplies, materials, contracts, agreements, guarantees, books, papers, reports, records, plans, specifications, drawings, surveys, schedules, reports, and all other property resulting from and related to the performance of Habitat's obligations under this Agreement. Habitat shall be relieved of all responsibility to provide any further services hereunder and the Authority shall assume all and full responsibility for all matters and contracts assigned to it and for the performance of Habitat's obligations hereunder. Furthermore, upon such termination, Habitat shall be promptly paid all compensation for services provided prior to such termination.
7. Default. In the event that Habitat breaches any of its duties or fails to meet any of its obligations hereunder, the Authority shall notify Habitat in writing of such breach or failure. Habitat shall have thirty (30) business days from the date of receipt of such notice to cure such breach or perform such deficient obligation. It shall be an event of default if Habitat has failed to cure any breach or correct any performance deficiency within thirty (30) business days after receipt of notice given in accordance with the terms of this Agreement. Upon the occurrence of an event of default, the Authority shall have the following rights and remedies.

- (a) The right to terminate this Agreement as to any or all of the Approved Program activities effective at a time specified by the Authority;
- (b) All other rights and remedies available at law or in equity.

The parties acknowledge that this provision is solely for the benefit of the Authority and that if the Authority permits Habitat to continue to perform despite Habitat's default, Habitat shall in no way be relieved of any of its responsibilities, duties or obligations under this Agreement nor shall the Authority waive or relinquish any of these rights.

The remedies under the terms of this Agreement are not intended to be exclusive of any other remedies provided, but each and every such remedy shall be cumulative and shall be in addition to any other remedies, existing now or hereafter, at law or in equity. No delay or failure to exercise any right or power accruing upon any event of default shall impair any such right or power nor shall it be construed as a waiver of any event of default or acquiescence thereto, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

- 8. Minority and Women Business Enterprise Commitment. Habitat agrees to comply with the terms and conditions of the Authority's Minority Business Enterprise ("MBE") and Women Business Enterprise ("WBE") conditions, provided, however, that the Executive Director may waive the MBE and WBE participation requirements. The MBE and WBE schedules are attached as Exhibit C.

During the term of this Agreement, Habitat hereby agrees to provide, and to contract with all contractors and subcontractors performing work/services pursuant to this Agreement to provide, opportunities to the Authority Residents in accordance with C.F.R. Part 135. The MBE and WBE schedules and 24 C.F.R. Part 135 Participation plans shall be attached hereto as Exhibit C and incorporated by references as if fully set forth herein.

- 9. Audit Requirement. Habitat shall keep books, documents, paper, records and accounts in connection with the Approved Program accessible and open to audit by the authority, HUD, the Comptroller General of the United States or their duly authorized representatives, and allow inspection, copying, abstracting and transcriptions. Habitat shall make these records available to the Authority at reasonable times during the performance of this Agreement. In addition, Habitat shall retain all such documents and records in a safe place and make them available for at least three (3) years after the final payment is made in connection with this Agreement and all other pending matters are closed.

Payment of any invoice by the Authority does not constitute a waiver of the Authority's rights to subsequently question, compromise or request repayment or future credit for any invoice previously paid. Habitat shall maintain records showing actual time devoted and

costs incurred.

10. Drug-Free Workplace. Habitat should establish procedures and policies to promote a "Drug-Free Workplace" and should notify all employees of this policy for maintaining a "Drug-Free Workplace," including the penalties that may be imposed for drug abuse violations occurring in the workplace. Habitat agrees to notify the Authority, in writing, if any of its employees are convicted of a criminal drug offense in the workplace no later than ten (10) days after such conviction.
11. Conflict of Interest and Anti-Lobbying. No member of the governing body of the Authority or other units of government and no other officer, employee, or agent of the Authority or other unit of government who exercises any functions or responsibilities in connection with the Approved Program to which this Agreement pertains, shall have any personal interest, direct, or indirect, in this Agreement. No member of or delegate to the Congress of the United States or the Illinois General Assembly and/or Authority executive and senior staff or employee shall be admitted to share in any part of this Agreement or any financial benefits arising thereunder.

Pursuant to the conflict of interest requirements in OMB Circular A- 1 02 and 24 CFR §85.36(b)(3), no person who is an employee, agent, consultant, officer, or appointed official of the Authority and who exercises or has exercised any functions or responsibilities with respect to HUD assisted activities, or who is in a position to participate in a decision making process or gain inside information with regard to such HUD activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for itself or for those whom it has family or business ties, during his or her tenure with the Authority or for one year thereafter. Furthermore, the Authority represents that it is and will remain in compliance with federal restrictions on lobbying set forth in Section 319 of the Department of the Interior and Related Agencies Appropriations Act for Fiscal Year 1990, 31 U.S.C. subsection 1352, and related rules and regulations set forth at 54 Fed. Reg. 52,309 ff. (1989), as amended.

12. Compliance with HUD Regulations. In addition to the obligations stated in Paragraph 1, Habitat shall comply with the applicable provisions of HUD regulations, and all state and local laws, ordinances and executive orders including, but not limited to, the Uniform Administrative Requirements contained in 24 C.F.R. §§ 85.1 et seq., (1993), as amended; Title VI of the Civil Rights Act of 1967 (42 U.S.C. 2000d et seq.); Fair Housing Act (42 U.S.C. 3601-20 et seq.); Executive Order 11063, as amended by Executive Order 12259; Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.); Rehabilitation Act of 1973 (29 U.S.C. 794); Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5); Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.); National Environmental Policy Act of 1969 (24 CFR Part 58); Clean Air Act (42 U.S.C. § 7401/et seq.); Federal Water Pollution Control Act (33 U.S. C. § 1251 et seq.), as amended; Flood Disaster Protection

Act of 1973 (42 U.S.C. 4106); Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601); Executive Order 11246, as amended by Executive Orders 12086 and 11375; Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 483 1 (b)); Executive Order 12372; Copeland "Anti-Kickback" Act (18 U.S.C. § 874 and 40 U.S.C. § 276); Byrd "Anti-Lobbying" Amendment (31 U.S.C. § 1352); Debarment and Suspension (Executive Orders 12549 and 12689); and the regulations implementing the laws as set forth in 24 C.F.R. Section 85.1 et seq., (1993), as amended.

13. Governing Law : Dispute Resolution. This Agreement will be governed as to performance and interpretation in accordance with the laws of the State of Illinois.

All claims, disputes and other matters in question arising out of, or relating to, this Agreement or the performance thereof may, if so elected by a party, be submitted to, and determined by, arbitration if good faith negotiations among the parties do not resolve such claim, dispute or other matter within sixty (60) days. Such arbitration shall proceed in accordance with the Commercial Arbitration rules of the American Arbitration Association then pertaining (the "Rules"), insofar as such Rules are not inconsistent with the provisions expressly set forth in this Agreement, unless the parties mutually agree otherwise, and pursuant to the following procedures:

(a) Notice of the demand for arbitration shall be filed in writing with the other party to this Agreement and with the American Arbitration Association. Each party shall appoint an arbitrator, and those party-appointed arbitrators shall appoint a third neutral arbitrator within ten (10) days. If the party-appointed arbitrators fail to appoint a third neutral arbitrator within ten (10) days, such third neutral arbitrator shall be appointed by the American Arbitration Association in accordance with the Rules. A determination by a majority of the panel shall be binding.

(b) Reasonable discovery shall be allowed in arbitration.

(c) The costs and fees of the arbitration, including attorney's fees, shall be allocated by the arbitrators.

(d) The award rendered by the arbitrators shall be final and judgement may be entered in accordance with applicable law and in any court having jurisdiction thereof.

14. Patents and Copyrights. The Authority reserves an exclusive, perpetual and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for the Authority's purposes, including, but not limited to, commercial exploitation: (a) the copyright or patent in any work or deliverables developed in connection with the implementation of the Approved Program under this Agreement; and (b) any rights of copyright or patent to which Habitat purchases ownership with the funds awarded pursuant to this Agreement. If HUD determines that the patent or copyright, which is

either developed or purchased by Habitat serves a federal government purpose, a royalty-free, non-exclusive and irrevocable license shall vest in HUD.

Any discovery or invention (37 C.F.R. part 40) arising out of, or developed in conjunction with the work to be performed under this Agreement shall become the exclusive property of HUD and be promptly and fully reported to HUD for a determination as to whether patent protection on such invention or discovery should be sought.

15. Religious Activities. Habitat agrees that in connection with this Agreement: (a) it shall not discriminate against any person on the basis of religion and shall not limit employment or give preference in employment to persons on the basis of religion; (b) it shall not discriminate against any person applying for employment on the basis of religion and shall not give preference to persons on the basis of religion; and (c) it shall provide no religious instruction or counseling, conduct no religious worship services, engage in no religious proselytizing, and exert no other religious influence in connection with its performance hereunder.

16. Miscellaneous.

- A. Further Assurances. Each party shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement as are not inconsistent with the terms hereof.
- B. Reporting. Each quarter, during the term of this Agreement, Habitat shall prepare a written report to the Authority describing the status of the Approved Program. Specifically, the report shall include an accounting of all expenditures made or incurred in connection with the Approved Program, and summaries of actions taken pursuant to Paragraph 1(b) hereof. Said report shall be delivered to the Executive Director of the Authority no later than the 20th day following the beginning of each quarter. In addition, Habitat shall attend regularly scheduled meetings at such time intervals the Authority deems desirable regarding Habitat's progress in implementing the Approved Program.
- C. Authority. Each party warrants and represents to the other that its execution of this Agreement has been duly authorized and the individuals signing this Agreement on behalf of each party have the authority to do so.
- D. Construction. The paragraph captions used in this Agreement are for the purposes of convenience only and are not intended to, and shall not, affect the meaning, interpretation or construction of the text of this Agreement.

- E. Entire Agreement: Amendment. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof. It may not be modified or amended except with the written consent of both parties.
- F. Confidentiality. Each party, for itself and its agents and employees, agrees that the documents and information made available to it (other than documents and information otherwise available in the public domain) are to be held by each party in the strictest confidence, that copies shall not be distributed to any party other than such parties whose knowledge of such documents and information is reasonably necessary to effect the purposes of this Agreement.
- G. Enforcement Costs. If either the Authority or Habitat brings an action against the other party to enforce the terms hereof or to declare rights hereunder, the prevailing party in any such action shall be entitled to recover from the other party costs, reasonable attorney's fees and any other expenses incurred in connection therewith.
- H. Notices. All notices, waivers demands, requests or other communications required or permitted hereunder shall, unless otherwise expressly provided, be in writing and be deemed to have been properly given, served and received (i) if delivered by messenger, when received; provided that no item shall be deemed received unless such messenger obtains a written receipt therefor, (ii) if mailed, on the third business day after deposit in the United States mail, certified or registered, postage prepaid, return receipt requested, (iii) if telexed or telecopied, twenty-four hours after being dispatched by telex or telecopy with confirmation of valid transmittal with a copy delivered by mail in the manner set forth in subsection (ii) above, and (iv) if sent by commercial overnight carrier, prepaid for next day delivery, on the next business day after delivery to such courier, in each case addressed to the party's address appearing below:

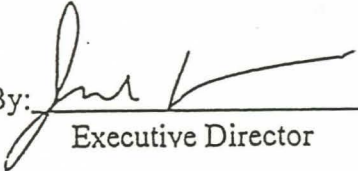
Authority: Chicago Housing Authority
626 W. Jackson Boulevard
7th Floor
Chicago, Illinois 60661
Attention: Executive Director

Habitat: The Habitat Company
350 West Hubbard Street
Chicago, Illinois 60610
Attention: Chairman

or to such other address(es) or addressee(s) as any party entitled to receive notices hereunder shall designate to others in the manner provided herein for the service of notices.

IN WITNESS WHEREOF, Habitat and the Authority have executed this Agreement as of the day and year first above written.

THE CHICAGO HOUSING AUTHORITY

By: _____
Executive Director

THE HABITAT COMPANY

By: _____
Chairman