

**IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT**

No. 98-1807, 98-2311

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.	)	

**SUPPLEMENTAL APPENDIX ACCOMPANYING REPLY BRIEF
OF DEFENDANTS-APPELLANTS CHICAGO HOUSING
AUTHORITY AND JOSEPH SHULDINER**

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Dated: August 17, 1998

**SUPPLEMENTAL APPENDIX TO
REPLY BRIEF OF DEFENDANTS-APPELLANTS
CHICAGO HOUSING AUTHORITY AND JOSEPH SHULDINER**

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Judge Marvin E. Aspen
U.S. District Court

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

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

MEMORANDUM IN SUPPORT OF
THE CHICAGO HOUSING AUTHORITY'S
EMERGENCY MOTION TO CLARIFY INJUNCTION

Background

The Injunction

On July 1, 1969, this Court, Judge Austin presiding, entered a judgment order that constituted a mandatory injunction (the "Injunction") against the CHA. Gautreaux v. CHA, 304 F. Supp. 736 (N.D. Ill. 1969). The purpose of the Injunction was to end the CHA's use of race-based site selection and tenant assignment policies, and to remedy the effects of those policies. Id., at 737. Only Articles II, III, IV and VIII, which address the remedy for the CHA's site selection policy, are the subject of this Motion.

The Court, in its Memorandum Opinion and Order of August 26, 1997, Gautreaux v. CHA, 1997 U.S. Dist. LEXIS 12924 (attached as Exhibit A), summarized the proscriptions of the Injunction: Article III prohibits the CHA from making any additional housing units available in predominantly black neighborhoods, called "Limited Areas," unless

an equivalent number (originally 3 to 1) of housing units are made available in predominantly white neighborhoods, called "General Areas." Exhibit A at *3-4. This geographical requirement was intended to deconcentrate public housing in Limited Areas and provide African-American public housing tenants and applicants with the opportunity to move into General Areas.

Article IV of the Injunction requires the CHA to add to its aggregate supply of public housing stock through the administration and implementation of a "scattered-site" building program, which constitutes the building of individual units (non-high rises) in a scattered pattern throughout the City. In this regard, Article IV states that "the CHA shall not concentrate large numbers of Dwelling Units in or near a single location."¹

The HOPE VI Program

HOPE VI is a model demonstration program created by Congress in 1992. Urban Revitalization Demonstration Program ("HOPE VI"), 42 U.S.C. § 1437l (note, located at pp. 255-57 of the 1994 bound volume of the U.S.C.A.), P.L. 102-389, Title II, 106 Stat. 1579 (attached as Exhibit B).² The purpose of the statute is to provide housing authorities with grants to rehabilitate and modernize severely distressed or obsolete public

¹ Article IV contains detailed prohibitions regarding the concentration of public housing units at both the individual building and neighborhood levels. *Id.* Subsection A prohibits the building of housing projects designed for more than, at a maximum, 240 persons; subsection B prohibits the concentration of public housing units in any one area of the City, by permitting only a 15% concentration of public housing in any one census tract; and, subsection C prohibits the building or leasing of dwelling units above the third story of any structure. *Id.*

² The program was reauthorized and its requirements amended in 1995, 1996, and 1997. *See* Excerpt from HUD's Office of Public Housing Investment Guidebook on HOPE VI: Building Communities of Opportunity (1997) (see Exhibit B).

housing projects, and to revitalize the neighborhoods in which those housing projects are located. HOPE VI has been described by HUD as the “key ingredient” in its efforts to “transform” the existing public housing system. Id. The HOPE VI statute envisions the deconcentration of public housing in existing mid- and high-rise public projects, calls for local housing authorities to be innovative in revitalizing distressed public housing projects and the communities in which that housing is located, and encourages housing authorities to integrate into their revitalization plans existing federal housing resources (such as Section 8) that provide public housing residents with a greater opportunity to choose where to live or to exit the public housing system entirely. Id.

HOPE VI is appended to Section 14 of the Low-Income Housing Act, which provides funds to be used to maintain the viability of a housing authority’s existing aggregate housing stock. See 42 U.S.C. 1437l. HOPE VI funding can be used to create replacement housing when other units are demolished, but it cannot be used by housing authorities to add to the aggregate existing housing stock.³ HOPE VI is not, however, merely a source of rehabilitation funding. HOPE VI is also about revitalizing public housing communities. For example, while HOPE VI encourages deconcentration of public housing, it also permits the building of replacement housing on the site of the original public housing, 42 U.S.C.

³ While two newly constructed units of housing may look the same, in Congress’ public housing funding scheme they can be very different, depending on whether the unit adds to an authority’s housing stock or simply replaces existing stock. The classification of a newly constructed unit as truly “new” as opposed to “replacement” has real meaning to Congress; many funding decisions depend on the size of a housing authority (judged by its aggregate housing stock), and the authority’s competency record with regard to that aggregate stock.

§ 1437p(f), as amended September 23, 1996, and encourages housing authorities to work with tenants in existing public housing communities.

In 1996, after HUD had used the HOPE VI program to provide funding to the CHA as a part of the relief it owed to plaintiffs under the Gautreaux-HUD consent decree ("Consent Decree"), Congress specifically enacted an amendment to the HOPE VI statute providing that HOPE VI funds shall not be used "directly or indirectly . . . to settle litigation or pay judgments." Exhibit B, Guidebook, 1.C.7. As noted in the Congressional Record, Congress "inserted [the amendment] to ensure that HOPE VI funds are used for the purpose of revitalizing severely distressed public housing facilities." 142 Cong Rec H 10733, 10748.

The CHA's Revitalization Projects in Limited Areas

During the past two years, the CHA began a number of neighborhood revitalization projects at sites in Limited Areas. The revitalization projects are being or will be funded in whole or in part by federal grants to the CHA under three federal programs, including HOPE VI, or by "development" money awarded to the CHA for the development of new housing. To the extent development funds have been allocated to any of the revitalization projects, the CHA, the plaintiffs, the Receiver and HUD have treated the expenditure of those funds as covered by the Injunction.

However, the projects violate the terms of the Injunction. The projects are located entirely in Limited Areas or in isolated parts of Limited Areas that are considered to be Revitalizing Areas. The Injunction does not permit building in Revitalizing Areas, but instead requires equal building in both the General and Limited Areas. Thus, compliance with the Injunction is not possible. However, HUD and the plaintiffs agreed that the

development funds could be diverted from use under the Injunction in General Areas, and instead used in Revitalizing Areas. The parties then proceeded to negotiate agreed waivers of the Injunction, which this Court approved.⁴ Under the Court's orders, the geographical limitations and other requirements of the Injunction are waived because the projects are in Revitalizing Areas, and thus meet the criteria for building that was provided for by the Consent Decree.⁵

The revitalization projects at Horner and the Lakefront are very much like the revitalization projects at Cabrini, ABLA and Robert Taylor that have been approved by HUD for HOPE VI funding. However, the HOPE VI projects are very different from the projects in Revitalizing Areas that this Court has approved by waiving the requirements of the Injunction. HOPE VI requires local housing authorities to concentrate on the most severely distressed housing projects, wherever they are located, without regard to whether the neighborhood is predominantly black, predominantly white, or revitalizing. Because all of

⁴ Orders have been entered by the Court in connection with Horner and North Kenwood-Oakland ("Lakefront") Limited Areas. See Exhibits G and H, respectively, attached hereto. This Court also waived the requirements of the Injunction for the construction of units in Lawndale, a Limited Area.

⁵ The relief against HUD required any aggregate increase in the CHA's existing housing stock to take place in the General or Revitalizing Areas. Gautreaux, 523 F.Supp. at 668-69 (relief against HUD was "in sharp contrast" to relief under the Injunction, which does not provide for building in revitalizing areas). While no specific Revitalizing Areas were designated by the Consent Decree, Judge Crowley defined the concept, for purposes of the HUD litigation, as areas having a "substantial minority population and undergoing sufficient redevelopment to justify the assumption that [the] area will become more integrated in a relatively short time." Id. at 669. The concept of building in selected Limited Areas deemed to be Revitalizing Areas, without simultaneous building in General Areas, was specifically "introduced" in the HUD litigation in 1981 because, at the time of its entry, it was "recogniz[ed] that total relief to Gautreaux families outside of the Limited Area could not be provided in the foreseeable future" Id.

the most severely distressed housing projects in Chicago are located in the Injunction's Limited Areas, HOPE VI projects could not meet the locational requirements of the Injunction. If HOPE VI projects were deemed to be governed by the Injunction, they could only be approved by this Court as a complete exception to the Injunction.

The different purposes of the Gautreaux remedy and of HOPE VI explain the programmatic differences discussed above. Gautreaux was created to remedy an adjudicated violation of the Fourteenth Amendment based on the over-concentration of public housing in predominantly African-American neighborhoods in Chicago. The remedy required the CHA to provide housing units in the predominantly white areas of the City at the same or greater rate as units are built in the predominantly black areas. The Gautreaux remedy requires programs designed, by way of the locational requirements of the Injunction, to focus exclusively on racial integration. In direct contrast, HOPE VI focuses on both economic and racial integration for those public housing tenants now living in the most severely distressed projects, wherever located. Thus, HOPE VI funding cannot be restricted, as Gautreaux revitalization development funds have been, to projects in areas that can be described as "revitalizing."

The CHA's Applications for HOPE VI Funding

Eligible housing authorities, such as the CHA, are required to compete for HOPE VI grant money. The application must set forth a detailed plan for the revitalization of existing distressed public housing projects that complies with detailed HOPE VI requirements. Once a housing authority has been awarded HOPE VI funding for any given year, the authority must submit to HUD a program implementation plan that, *inter alia*, has been

approved by the local governing body. Id., Ex. B, at 256, column 1. In the event that the authority does not proceed in a manner consistent with its implementation plan, the Secretary of HUD may withdraw any unobligated balances of funding, and make such funds available to other eligible communities. Id., at 257, column 2.

The CHA made application to HUD for HOPE VI funding in 1993, 1996, and 1997. The CHA was awarded grants in 1993 and 1996, and is awaiting the results of the 1997 application process. The CHA's position has been and remains that the CHA has the right to apply for HOPE VI funds, that such programs are not covered by the Injunction, and that the Receiver has no development authority with respect to HOPE VI projects. Up until very recently, HUD had taken no actions that would indicate that it interpreted this Court's orders in the Gautreaux case as affecting the HOPE VI program. However, HUD's most recent action, conditioning its approval of the implementation plan for the Cabrini project on, among other things, obtaining the approval of the plaintiffs and this Court in 30 days, indicate that the agency is acting on the belief that the Injunction applies to HOPE VI.

Neither plaintiffs nor the Receiver have raised the question of the Court's jurisdiction over HOPE VI with this Court. Indeed, neither plaintiffs nor the Receiver, well knowing that the CHA intended to and did apply for HOPE VI funding, formally objected to the CHA's preparation and filing of the applications. If the plaintiffs believed that the HOPE VI applications were covered by the Injunction and the order appointing the Receiver, then the Receiver was the entity that should have prepared and made the applications. See Order Appointing Receiver (August 14, 1987), ¶ 2(a)(i) (attached as Exhibit C).

In only two circumstances has the CHA requested plaintiffs' limited cooperation in a HOPE VI application, neither of which implies that the CHA considered HOPE VI to be covered by the Injunction. The first instance was in connection with the CHA's 1996 applications. HUD's 1996 notice of funds availability ("NOFA") for HOPE VI provided an absolute priority for 350 replacement units if the CHA's application met the statutorily mandated requirements of the NOFA. See, e.g., Letter to A. Polikoff from H. Cisneros, dated July 11, 1996, at 1 (attached as Exhibit D). See also 1996 NOFA 61 FR 38024, 38025-026. HUD did this to fulfill part of its obligation to the plaintiffs under the Gautreaux/HUD consent decree.⁶ Id. In accordance with the 1996 NOFA, one of the CHA's 1996 applications included a request for HOPE VI funds for the construction of 350 units. The 1996 applications also sought HOPE VI funds for a project to demolish some of the Robert Taylor Homes.

The CHA asked Alexander Polikoff of BPI to sign-off on the ABLA/Horner portion of the 1996 applications because the funds were to be used to provide Gautreaux housing units under the HUD Consent Decree. See Letter to J. Shuldiner from A. Polikoff, dated July 25, 1996, at 1 (attached as Exhibit E). BPI did not participate in any respect with regard to the portion of the CHA's 1996 HOPE VI applications that related to the Robert Taylor Homes development project.

The second instance occurred in connection with the CHA's application under the 1997 HOPE VI NOFA, which required the application to be approved by any litigants in

⁶ It was this use of HOPE VI funds that led Congress to amend HOPE VI to prevent HUD's use of HOPE VI funds for litigation purposes and to insure that the funds are used for their legislative purpose: revitalization of existing public housing.

lawsuits against HUD. The CHA prepared its 1997 application and then asked BPI to sign-off on the application. In response, Mr. Polikoff stated that the plaintiffs would approve the application, but only if the CHA first admitted that this Court's orders "require the Receiver to develop all public housing units, including any to be developed at ABLA, even though HOPE VI funds are used." See Letter to A.Rodriguez from A.Polikoff (July 15, 1997) (attached as Exhibit F). The CHA refused to acquiesce to BPI's demands. The CHA filed its 1997 application and included its own statement of compliance with the Fair Housing Act.

The CHA's HOPE VI Applications for the Cabrini Redevelopment Project

The CHA applied for HOPE VI funding for the Cabrini redevelopment project in 1993. Neither BPI nor the Receiver participated in any way in either of the CHA's application, and neither formally asserted or objected that under the Injunction and the order appointing the Receiver, the applications could only be made by the Receiver.

The 1993 application was approved and HUD has allocated \$50 million to the Cabrini project. Although work has begun on the Cabrini project, to date, no HOPE VI money has yet been used or "drawn down" for housing development costs, but to fund social service and consultant fees for the project. The CHA has allocated non-HOPE VI funds for the early construction/leasing work at Cabrini.

At the time of the award pursuant to the CHA's 1993 application, the Receiver indicated to the CHA that the Receiver should have development authority over the HOPE VI development project at Cabrini. The CHA took the position that HOPE VI funding was not governed by the Injunction, and disagreed with the Receiver. The CHA and the Receiver attempted to negotiate a contractual solution to the dispute, and during those negotiations the

Receiver performed some general consulting activities on the project. However, contract terms were not reached, and, since that time, the Receiver has not had any development authority at Cabrini, and has not been involved in formulating any final plans or implementing those plans.

Following the dispute over the Receiver's role on the Cabrini project, the Receiver also argued that it had development authority over the CHA's Horner and ABLA projects. Again, the CHA disagreed, based on its understanding of the Injunction and the order appointing the Receiver. However, due to the Receiver's experience in working with the CHA and HUD, the CHA entered into a contractual arrangement with Dan Levin and The Habitat Company, under which they would act as the development manager for the project.⁷

On September 18, 1997, HUD approved the CHA's implementation plan for the Cabrini funds, but linked it to a number of conditions. One condition is that within 30 days the plaintiffs and the Court approve the implementation plan (which has already been approved by the City of Chicago as per the HOPE VI statute). HUD took this action despite the fact that it had approved the CHA's 1993 application for the HOPE VI funds without requiring the plaintiffs' approval. HUD has imposed this condition acting on the belief that

⁷ It is axiomatic that if HOPE VI is not governed by the Injunction, the Receiver lacks authority over HOPE VI. However, if the Court denied CHA's Motion to Clarify the Judgment Order, there would still be a dispute whether the Court's 1987 Order appointing the Receiver gives the Receiver authority over the CHA's HOPE VI projects. Accordingly, if the Court determines that the Injunction covers HOPE VI, the CHA will ask the Court to clarify the Receiver's authority with regard to the CHA's HOPE VI projects, or alternatively to amend the order appointing the Receiver to exclude HOPE VI projects. This would be a completely separate motion requiring extensive briefing by the parties.

this Court's Injunction and orders require such approval. The CHA disagrees with the interpretation and, accordingly, has filed this Motion seeking clarification of the Injunction.

Argument

A party whose conduct is governed by the terms of an injunction has the right to seek clarification of the injunction, or a declaration of rights under the injunction, at any time. Matter of Hendrix, 986 F.2d 195, 200 (7th Cir. 1993). The CHA believes that HOPE VI funding and its HOPE VI demonstration programs clearly fall outside of the scope of the Injunction. Nevertheless, because plaintiffs' counsel has recently asserted a contrary view in a concrete manner, see Ex. F, and because of HUD's conditional approval of the implementation plan for Cabrini funds already allocated as a result of the CHA's 1993 HOPE VI application, the CHA has filed this Motion.

HOPE VI did not Exist When Injunction was Entered and is not Part of the Remedy Available to the Plaintiffs

This Court recently held that because the federal Section 8 voucher program was not in existence at the time the Injunction was entered, the Injunction did not govern the program and the program is not part of the relief granted to the plaintiffs. (Ex. A) Similarly, the HOPE VI Urban Revitalization Demonstration Program, created by Congress in 1992, did not exist at the time of the entry of the Injunction. Indeed, the program is one of many initiatives undertaken by the 101st and 102nd Congress in an effort to "reform" the "conventional" housing programs of the previous decades. Accordingly, the relief provided the plaintiffs in the Injunction does not include HOPE VI, and the Injunction should not now be interpreted as governing the program.

The Injunction Has Not Been Used to Govern Funds

Provided to CHA to Revitalize Housing in Limited Areas

The Injunction has not been used over the past nearly thirty years to control all of the CHA's resources, or to regulate or direct the CHA's plans with regard to the aggregate housing stock and public housing communities located in Limited Areas. Indeed, in the early 1990's, this Court, over the plaintiffs' objection, permitted the CHA to use "modernization" funds provided under Section 1437l of the Low-Income Housing Act (the "Act"), without interference. See Gautreaux v. CHA, 1991 U.S. Dist. LEXIS 4123 (April 4, 1991) (attached as Exhibit I). At that time, the plaintiffs tried to stop the rehabilitation of some high-rise buildings in the North Kenwood-Oakland Limited Area (Lakefront). Notably, the plaintiffs did not argue that they had a right under the Injunction directly to control the CHA's modernization funds. See Memorandum In Support Of Plaintiffs' Motion For Further Relief, filed November 21, 1990 (attached as Exhibit J); Plaintiffs' Reply To Responses Of CHA And HUD To Plaintiffs' Motion For Further Relief, filed January 22, 1991 ("Pl. Reply") (attached as Exhibit K).

Instead, the plaintiffs argued that the proposed rehabilitation violated the Injunction merely because the proposed rehabilitation might frustrate a scattered site opportunity. The plaintiffs made only a "limited" request for the "additional relief" of a court-ordered time delay of the commencement of the rehabilitation projects in order to allow for the exploration of alternatives to rehabilitation. See Ex. I. The Court denied plaintiffs' requested relief. HOPE VI funds are also "modernization" funds;⁸ indeed, the HOPE VI

⁸ A second current source of modernization funds is the Housing and Community Development Act. The CHA intends to use such funds for the Darrow revitalization project.
(continued...)

statute is appended as a note to the statutory section authorizing grants of such funds.

Accordingly, the use of HOPE VI funds should not be governed by the Injunction.⁹

*The Injunction, Interpreted in Proper Context,
Does Not Purport to Regulate Revitalization Programs*

The Injunction is composed of eleven articles. Articles II, III, IV, and VIII set forth the "scattered-site" building program. Articles V and VI set forth requirements relating to the CHA's tenant assignment policy. The remaining Articles I, VII, IX, X, and XI set forth the Injunction's definitional section, reporting requirements, and other non-programmatic requirements. None of the Articles refers to the maintenance or operation of housing stock that already existed in the Limited Areas of the City at the time of the entry of the Injunction. None of the Articles purports to bring all of the CHA's operations, including work to be done in then-existing public housing communities, under the direct control of this Court. None of the Articles requires the destruction, demolition, or retirement over time of the housing stock located in the Limited Area that existed at the time of the entry of the Injunction. Thus, while comprehensive with regard to the regulation of the aggregate

⁸(...continued)

Consistent with its position on this Motion, the CHA does not believe that it must seek a waiver of the Injunction from the Court to proceed with the project. However, plaintiffs and the CHA are currently attempting to prepare a joint motion to waive the Injunction's proscriptions. The CHA is willing to negotiate the joint motion with regard to Darrow, and with regard to Darrow only, in an effort to commence construction activities at Darrow without any further delay. However, the CHA will only agree to file the joint motion if it can obtain an agreement from plaintiffs that the Darrow motion will not prejudice the CHA's present Emergency Motion.

⁹ The HOPE VI program is also analogous to a prior demonstration program funded by the federal government, the "Model Cities Program," which the Seventh Circuit found to be a separate program from the scattered-site building program established by the Injunction. Gautreaux v. Romney, 457 F.2d 124 (7th Cir. 1972).

increase in the supply of CHA's total housing stock, the Injunction simply does not purport to regulate all of the CHA's activities with regard to its total housing stock.

Some of the provisions of the Injunction, however, are broadly-worded. The two most sweeping provisions of the Injunction are in Articles II and VIII. Article II states that:

[the] CHA shall not authorize, approve or implement any plan for Dwelling Units, nor shall CHA seek any approval or request or accept any assistance from any government agency with respect thereto, . . . unless such plan affirmatively requires that,

A. All Dwelling Units provided for in such plan shall be located in conformity with the provisions of Article III hereof [the one-for-one building/leasing requirement].

"Dwelling Unit" is defined broadly as including each and every unit of family-public housing in the CHA system rather than being limited to scattered housing units. Id., at 737. Article VIII states that:

[the] CHA shall affirmatively administer its public housing system in every respect (whether or not covered by a specific provision of the judgment order) to the end of disestablishing the segregated public housing system . . . Id., at 741.

Such provisions, on their face, suggest that the CHA must use any and every method available to it to "disestablish" segregation in public housing, and that any and all of the CHA's plans regarding any housing unit under its jurisdiction are governed by the Injunction. However, such a broad reading of the Injunction has already been rejected by this Court. Compare Ex. K, Pl. Reply at 4-5 (urging relief based on reading of "affirmatively administer clause") with Ex. I, Gautreaux, 1991 U.S. Dist. LEXIS 4123 at *2-3 (court, "while not unsympathetic to plaintiffs," refuses to grant plaintiffs' requested relief on the

ground that “the extremely broad reading of the consent decrees [HUD consent decree and CHA Injunction] advocated by the plaintiffs is [not] justified.”)

The language and structure of the Injunction, like “any other disputed writing,” must be construed in the proper context. Youakim v. McDonald, 71 F.3d 1274, 1283 (7th Cir. 1995). Here, the relevant context includes prior interpretations of the Injunction, the parties’ past conduct, as well as the circumstances under which the Injunction was entered. See Youakim, 71 F.3d at 1283 (factors to consider include, among other things, nature of original claim, the relief that was sought, the issues actually decided by the earlier tribunal, and the mischief the injunction was designed to eradicate). All of these factors show that the Injunction, interpreted in context, does not apply to HOPE VI.

The Injunction itself, and Judge Austin’s contemporaneous actions, are inconsistent with a broad reading of the general language in Article II and VIII. At the time the Injunction was entered the public housing system was already segregated and yet the specific relief awarded by Judge Austin was detailed and limited to the remedy of the scattered-site housing program. Judge Austin did not require the CHA to increase the aggregate number of units only in the General Areas to the exclusion of the Limited Areas, which in theory would have more quickly achieved desegregation. Instead, the Injunction seeks to deconcentrate public housing in Chicago by insuring that some definable percentage of the future aggregate increase in the supply of public housing would take place in the General Areas of the City.¹⁰

¹⁰ Judge Austin specifically refrained from cutting off all federal funding to the CHA. 296 F.Supp. 907, 914-15 (summary judgment on Count II denied because, “in the context of (continued...)”)

It is clear that the Injunction was not intended to regulate any future attempts by the CHA to revitalize the housing stock and public housing communities already existing at the time of the entry of the Injunction. The Injunction was intended to regulate and control only the aggregate increase in the supply of public housing stock, as well as the CHA's tenant assignment policies with regard to all housing stock. Accordingly, because the goal of the HOPE VI program is the revitalization of existing housing stock and public housing communities, the Injunction should not be read to govern the program.

*The Plaintiffs' Actions Are Consistent with the
Fact that HOPE VI is not Governed by the Injunction*

Plaintiffs' course of conduct with regard to HOPE VI demonstrates that they do not understand the Injunction to govern the HOPE VI program. For example, in the recent litigation over Section 8, plaintiffs argued to this Court that funding for the scattered-site building program was almost exhausted. Motion To Modify Judgment Order, filed March 21, 1997, ¶ 4. This statement was made in the face of nearly \$120 million unspent dollars of HOPE VI funding, and the fact that the scattered-site building program permits building of scattered-site housing in the Limited Areas in which HOPE VI work is taking place. Thus, plaintiffs as recently as six months ago, did not appear to believe that HOPE

¹⁰(...continued)

this case," granting summary judgment would lead to the cutting off of all federal funds). Judge Austin did not even attempt to deconcentrate public housing in Chicago, for example, by ordering the CHA to tear down, or retire over time, its existing housing stock in African-American neighborhoods. Cf. Walker v. HUD, 734 F.Supp. 1231, 1270 (N.D. Tex. 1989)(demolition of existing housing a "recognized, legitimate" part of a desegregation remedy, notwithstanding objections by several hundred plaintiff class members).

VI money could be used for the Gautreaux scattered-site housing program or that HOPE VI was somehow governed by the Injunction.

In addition, plaintiffs have failed, since 1993, to object to the CHA's HOPE VI applications, despite the fact that the applications do not meet the one-for-one building requirements as required under Article II of the Injunction, and despite the fact that the Receiver has not been involved in making the applications. See Gautreaux, 304 F.Supp. at 738; Ex. C, Order Appointing Receiver, ¶ 2(a)(i). Perhaps more tellingly, plaintiffs have, on one occasion, asked HUD for the right to control or direct some HOPE VI funding. Plaintiffs did so not in the context of the case against the CHA, but instead in the context of the Gautreaux/HUD consent decree. Specifically, in that instance, plaintiffs asked for control of a limited amount of HOPE VI funding, and then only as a form of alternative relief "comparable" to 350 new-construction Section 8 certificates that HUD was already obligated to provide under the consent decree. See Exhibits D and E, Letters to and from A. Polikoff. See also Gautreaux, 523 F.Supp. at 681-82, Section 8.6 (providing for comparable alternative relief after negotiation between plaintiffs and HUD). In response to plaintiffs' request, the then-Secretary of HUD (Henry Cisneros) indicated that he could not provide plaintiffs/the Receiver with a HOPE VI "set-aside" because the HOPE VI statute did not provide the Secretary, "as a matter of law," with the authority to do so.¹¹

¹¹ In the end, plaintiffs (with the "assistance" of HUD) negotiated a deal with the CHA which permitted plaintiffs and HUD to substitute some HOPE VI funds as alternative relief under the Consent Decree. Of course, there is no more relief available to plaintiffs under the Consent Decree, and the deal with the CHA did not (and could not) alter the terms of the Injunction or the HOPE VI statute.

The limited actions actually taken by the plaintiffs in the HUD case, and their failure to act with respect to the CHA's HOPE VI applications, are consistent with only one conclusion, and that is that HOPE VI is not governed by the Injunction and is not part of the relief to which the plaintiffs are entitled under the Injunction.

*Any Other Interpretation of the Injunction Raises
Serious Separation of Powers and Federalism Concerns*

HOPE VI funds cannot be used to fund the Injunction's scattered-site program. Even if the CHA were allowed to use HOPE VI funds, the CHA would have to obtain complete waivers of all of the requirements of the Injunction, just as the CHA was required to obtain waivers to use its development funds in revitalizing projects in Limited Areas. The mandates of the HOPE VI program, while complementary in a larger sense to the Injunction (i.e., economic integration may lead to racial integration), are in direct conflict with the mandatory building program created by the Injunction. Any interpretation that the Injunction requires the CHA to use its HOPE VI funds in compliance with the building program set forth in the Injunction raises serious separation of powers concerns.¹²

Conversely, to force the CHA to submit to a waiver process in order to comply with federal law in the use of its HOPE VI monies, is to require the CHA to negotiate with private individuals (plaintiffs' counsel) and obtain federal court approval,

¹² See Alliance To End Repression v. City of Chicago, 742 F.2d 1007, 1019 (7th Cir. 1984) (consent decree interpreted in order to avoid separation of powers concerns); Mobil Oil Corp. v. Higginbotham, 436 U.S. 618, 625-26, 98 S.Ct. 2010, 2015 (1978) (noting the difference between filling in gaps in a statute and "rewriting rules that Congress has affirmatively and specifically enacted"). See also United States v. Board of Educ. of the City of Chicago, 11 F.3d 668, 673 (7th Cir. 1993) (noting that consent decree cannot bind a unit of government that is a non-party to fund the activities required of a defendant-governmental unit).

despite HOPE VI's focus on the approval of the local governing body, and despite the fact that there has been no finding that the HOPE VI program is itself violative of the Fourteenth Amendment. The cases of Alliance To End Repression, cited in n. 12, and Gautreaux v. Romney, cited in n. 9, seek to avoid such effects of mandatory injunctions.

In addition, to require the CHA to submit to such a procedure raises serious federalism concerns. See Hoover v. Wagner, 47 F.3d 845, 850 (7th Cir. 1995) (explaining that a mandatory injunction against a unit of state government is truly "extraordinary" because of comity concerns). See also ACORN v. Edgar, 56 F.3d 791, 797-98 (7th Cir. 1995) (stating that any federal injunction against a state agency is, because of comity concerns, a heavy burden on the state). Here, the burdens on the CHA of submitting to such a process are heavy, even aside from the general burden on comity. For example, to require the CHA to negotiate with plaintiffs' counsel to obtain a waiver in this context is to improperly cede some of the CHA's prioritizing power (although not accompanying accountability) to private individuals and the federal court. Cf. Ex. I, Gautreaux, 1991 U.S. Dist. LEXIS 4123 at *2-3 (where court refused to enjoin work proceeding under a separate program, despite the fact that court was "not unsympathetic" to plaintiffs' questioning of CHA's work prioritization scheme).

Conclusion

WHEREFORE, for the above reasons, the CHA respectfully requests that this Court grant the CHA's Emergency Motion to Clarify the Injunction and declare that the Injunction does not apply to the CHA's use of HOPE VI funds or its HOPE VI projects.

Dated: September 29, 1997

Respectfully submitted,

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DOROTHY GAUTREAUX et al., Plaintiffs, v. CHICAGO HOUSING AUTHORITY et al., and
ANDREW CUOMO, Secretary of the Department of Housing and Urban Development, Defendants.

Case No. 66 C 1459 / 66 C 1460 (Consolidated)

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

1997 U.S. Dist. LEXIS 12924

August 26, 1997, Decided

August 27, 1997, Docketed

DISPOSITION: [*1] Plaintiffs' motion to modify the judgment order against CHA denied; HUD's motion to terminate the consent decree while retaining jurisdiction over the plaintiffs' attorneys' fees petition granted; plaintiffs' motion to declare that HUD has a continued obligation for FY1997 denied; and the plaintiffs' motion to enforce P 5.8.1. denied.

COUNSEL: For CHICAGO HOUSING AUTHORITY, defendant (66-CV-1459): Susan Getzendanner, Nancy S. Eisenhower, Skadden, Arps, Slate, Meagher & Flom, Chicago, IL.

JUDGES: MARVIN E. ASPEN, Chief Judge.

OPINIONBY: MARVIN E. ASPEN

OPINION: MEMORANDUM OPINION AND ORDER

MARVIN E. ASPEN, Chief Judge:

This litigation dates back to 1966 when black residents of Chicago's public housing brought a class action n1 against the Chicago Housing Authority (CHA) and the Department of Housing and Urban Development (HUD), alleging that the defendants violated federal constitutional and statutory provisions by basing public housing policies and practices on race. Specifically, CHA intentionally limited the number of black families living in white housing projects and deliberately targeted only predominantly black neighborhoods in which to build public housing, while HUD knowingly assisted [*2] CHA in carrying out this discrimination. *Gautreaux v. CHA*, 296 F. Supp. 907 (N.D. Ill. 1969) (liability against CHA); *Gautreaux v. Romney*, 448 F.2d

731 (7th Cir. 1971) (liability against HUD). In 1969, a judgment order was entered against CHA, *Gautreaux v. CHA*, 304 F. Supp. 736 (N.D. Ill. 1969), and after years of litigation at all levels of the federal judiciary, a consent decree was entered into with HUD, *Gautreaux v. Landrieu*, 523 F. Supp. 665 (N.D. Ill. 1981), aff'd, 690 F.2d 616 (7th Cir. 1982). Numerous disputes since then have generated several other orders dealing with the implementation of the CHA judgment and the HUD consent decree. E.g., *Gautreaux v. Chicago Housing Authority*, 1991 U.S. Dist. LEXIS 4123, 1991 WL 49568 (N.D. Ill. April 4, 1991).

n1 The class was defined as black tenants of and applicants for public housing in *Chicago*. 304 F. Supp. 736, 737 (N.D. Ill. 1969). Although we understand that the lead named plaintiff, Dorothy *Gautreaux*, has passed away, we presume that substitution of new class representatives has or will take place. See *Hassine v. Jeffes*, 846 F.2d 169, 176 n.3 (3d Cir. 1988) (if named plaintiff-inmate transferred from institution, current inmate may be substituted to represent class); *Van Horn v. Trickey*, 840 F.2d 604, 608 (8th Cir. 1988) (same); *Doe v. Reivitz*, 830 F.2d 1441, 1451 (7th Cir. 1987) ("Substitution of named parties might be necessary in the future to assure representativeness if additional proceedings take place in this case"); *Wilson v. Huntingdon Housing Authority*, 770 F.2d 168, 1985 WL 13513, at *1 (6th Cir. 1985) ("If this case is to continue as a class action, some current resident of public housing administered by the Huntingdon Housing Authority should be substituted as a named plaintiff").

[*3]

Presently before us are four motions: (1) the plaintiffs' motion to modify the judgment order against CHA; (2) HUD's motion to terminate the consent decree; (3) the plaintiffs' motion to enforce a provision of the consent decree prohibiting HUD from approving CHA's use of certain forms of § 8 housing assistance payments, 42 U.S.C. § 1437f, unless specific location requirements are met; and (4) the plaintiffs' motion to declare that HUD must set aside § 8 contract authority for fiscal year 1997. For the reasons discussed below, we deny the plaintiffs' motion to modify the judgment order, grant HUD's motion to terminate the consent decree, and deny the plaintiffs' two motions under the consent decree.

I. Modification of CHA Judgment Order

At the outset, we explain generally the 1969 judgment order to provide background for the plaintiffs' motion to modify it. The judgment order divided Cook County's census tracts into two categories: the Limited Public Housing Area and the General Public Housing Area. The Limited Area was essentially defined as those census tracts composed of 30% or more non-white population, while the remaining tracts constituted the General Area. Attempting [*4] to remedy the effects of past discriminatory site-selection and tenant assignment procedures, the judgment order in essence prohibited any development of public housing in the Limited Area without simultaneous development in the General Area. Judgment Art. II(C), 304 F. Supp. at 738. Because CHA proved inept at building public housing on scattered-sites, we appointed a Receiver for the program in 1987 and it was not until then that construction began in earnest.

Now, as the scattered-sites program continues under the Receiver, the plaintiffs contend that § 8 rent subsidies n2 have replaced new construction as the primary means for providing public housing. Pls.' Mot. P 4. According to the plaintiffs, this shift in federal housing policy justifies modifying n3 the judgment order in order to bring the CHA's use of § 8 certificates under the order's auspices. Furthermore, the plaintiffs point out, fewer than 3000 scattered-sites units have been built so far and approximately only 7000 more families have been assisted by the separate HUD § 8 program under the consent decree; meanwhile, the members of the class comprise 40,000 families.

n2 Section 8 of the United States Housing Act, 42 U.S.C. § 1437f (as amended), authorizes the Secretary of HUD to enter into "annual contributions contract[s]" with public housing agencies, §

1437f(b), (o), which in turn make assistance payments on behalf of recipients who hold the § 8(b) "certificates" or § 8(o) "vouchers," 24 C.F.R. § 982.1.

[*5]

n3 Although the plaintiffs belatedly attempt to characterize their request as one for "particularization, not expansion, of the judgment order," Pls.' Reply at 3, we agree with their earlier acknowledgment that "because the Section 8 rent subsidy program was not in existence when the judgment order was entered, CHA's Section 8 program was not part of the relief provided to the plaintiff class," Pls.' Mot. P 5. Indeed, it was the later HUD consent decree that purported to indirectly oversee CHA's use of § 8 rent subsidies by imposing limits on HUD's ability to approve CHA's contract authority. See Consent Decree P 5.8.1.

In order to prevail on a motion to modify the judgment order, the plaintiffs must show that the "principal objects" of the order have not been achieved. *United States v. United Shoe Machinery Corp.*, 391 U.S. 244, 20 L. Ed. 2d 562, 88 S. Ct. 1496 (1968); see *United States v. Local 560 (I.B.T.)*, 974 F.2d 315, 331-32 (3d Cir. 1992); *Gautreaux v. Weaver*, 535 F. Supp. 423, 426-27 (N.D. Ill. 1982). We examine the "specific facts and circumstances," *United Shoe Machinery*, [*6] 391 U.S. at 248, and weigh the equities at stake in determining the propriety of modification, *Weaver*, 535 F. Supp. at 426. Importantly, even if the "principal objects" of the original order have not yet been fully achieved, we must consider whether other reasons outside the control of the defendant have prevented success and whether adherence to, rather than modification of, the current injunction may be the most fair alternative. These latter considerations inform our inquiry because, as the school desegregation cases instruct us, federal court supervision of local government operations should be a "temporary measure to remedy past discrimination" and is "not intended to operate in perpetuity." *Board of Educ. of Oklahoma City Pub. Schs. v. Dowell*, 498 U.S. 237, 247, 248, 112 L. Ed. 2d 715, 111 S. Ct. 630 (1991).

We start, then, with the judgment order's principal objects: "to prohibit the future use and to remedy the past effects of the defendant Chicago Housing Authority's unconstitutional site selection and tenant assignment procedures." 304 F. Supp. at 737. By 1968, CHA's site selection had placed 99.5% of 30,848 public housing units in mostly black neighborhoods and [*7] tenant assignment had reserved four projects to be populated almost entirely by whites. 296 F. Supp. at 909-10. n4 While

it might be expedient to simply accept the plaintiffs' assertion that "the vast majority of CHA's family public housing still consists of the same segregated units, in the still segregated neighborhoods," Pls.' Reply at 5, as well as the plaintiffs' unstated assumption that the assertedly segregative situation is entirely a result of CHA's original discrimination, we must insist on specific facts supported by evidence. For example, relevant information to test the first assertion would include the number of public housing projects that remain predominantly white and the number of projects located in the Limited Area and the General Area. If the evidence shows that segregation in public housing still exists, then we must explore the link between the current segregation and CHA's original discrimination, past remedial efforts (or lack thereof), current remedial efforts, and future plans. For example, we would examine the quantity and location of affordable land in the General Area remaining for site selection, the effects of private decisionmaking on the current segregative [*8] state, and the effects of the shift in demographics over the years.

n4 The 99.5% figure did not include the four almost entirely white public housing projects. 296 F. Supp. at 910.

Without such evidence, we cannot grant the plaintiffs' motion to modify the judgment order. In the absence of a showing that the judgment order's objectives are not being accomplished and that the extent of the lack of progress is largely grounded in the original discrimination, it would be improper to add thousands of § 8 rent subsidy certificates and vouchers to the judgment order. The Receiver has, relatively speaking, only recently begun to implement the judgment order and we should allow time for the scattered-site program to work before turning to another form of relief, especially if CHA is now cooperating in implementing the order to the extent practicable. Indeed, the scattered-site program most directly deals with CHA's original violations—placement of public housing projects solely in black neighborhoods—while § 8 rent [*9] subsidies are already usable by the recipients throughout Illinois, see 42 U.S.C. § 1437f(r). Although it is likely that some § 8 recipients would rather live in the General Area but cannot find affordable rental units in the private market, the plaintiffs have not shown that the original site selection and tenant assignment proximately created this situation. Cf. *Freeman v. Pitts*, 503 U.S. 467, 496, 118 L. Ed. 2d 108, 112 S. Ct. 1430 (1992). n5 Accordingly, we conclude that the record fails to support the plaintiffs' proposed modification.

n5 We acknowledge that the "vestiges of segregation . . . may be subtle and intangible," *Freeman*, 503 U.S. at 490, but even though the location of public housing sites is strongly linked to CHA's original site selection practices, the plaintiffs have thus far failed to proffer evidence that the private rental market is the product of the original discrimination.

II. Termination of HUD Consent Decree

Next, HUD moves to terminate the consent decree entered [*10] into in 1981. The consent decree divided not only Cook but its collar counties as well into Limited, General, and "Revitalizing" Areas. 523 F. Supp. at 668. "Recognizing that total relief to *Gautreaux* families outside the Limited Area could not be provided in the foreseeable future, the proposed decree introduced the concept of Revitalizing Areas, that is, areas which have substantial minority population and are undergoing sufficient redevelopment to justify the assumption that these areas will become more integrated in a relatively short time." *Id.* at 669. With this expanded metropolitan-wide relief, the primary goal was to place 7100 public housing residents in the General and Revitalizing Areas:

5.1. Following the effective date, HUD will provide assisted housing to eligible persons as set forth in this Part 5 until the number of occupancies of assisted housing units in the General Area and/or in the Revitalizing Area, pursuant to the contracts referred to in paragraph 5.4, commenced by eligible persons equals 7,100.

Consent Decree P 5.1.

HUD now moves to terminate the consent decree because on October 2, 1996, the 7100 target was met, although HUD acknowledges [*11] that we should retain jurisdiction over the plaintiffs' attorneys' fees petition. The plaintiffs do not object to termination of the consent decree, but have moved for enforcement of specific provisions of the decree that would continue to place certain obligations upon HUD. We deal with those motions below, and thus grant HUD's motion to terminate the consent decree and retain jurisdiction over the plaintiffs' attorneys' fees petition. n6

n6 It appears that HUD has voluntarily agreed to continue certain commitments to the *Gautreaux* programs, HUD's Resp. at 11, and we take this as a salutary sign. We hope HUD, having once assisted a local government violate the constitutional rights of thousands, will adhere to its declaration of policy: "to assist the several States and their political subdivisions to remedy the unsafe and unsanitary housing

conditions and the acute shortage of decent, safe, and sanitary dwellings for families of lower income and, consistent with the objectives of this chapter, to vest in local public housing agencies the maximum amount of responsibility in the administration of their housing programs." 42 U.S.C. § 1437.

[*12]

III. HUD's Set Aside Obligation in Fiscal Year 1997

As indicated above, the plaintiffs acknowledge that the 7100 target was met October 2, 1996. Even though HUD has attained this target, however, the plaintiffs contend that HUD must still authorize § 8 New Construction/Substantial Rehabilitation units as provided for in PP 5.5.2 and 5.5.3 of the decree. n7 Those paragraphs provided:

5.5.2. HUD will set aside contract authority for 250 Section 8 New Construction and/or Substantial Rehabilitation units per year commencing at the beginning of Fiscal Year 1982 for use in multifamily projects to be located in the General Area or in the Revitalizing Area and that are insured under the National Housing Act. . . .

5.5.3. HUD will set aside contract authority for 100 Section 8 New Construction and/or Substantial Rehabilitation units per year, commencing at the beginning of Fiscal Year 1982, for use in projects that will increase housing choice for large minority families living in the Limited Area of the City of Chicago by providing Section 8 New Construction and/or Substantial Rehabilitation assisted housing for such families at locations in the General Area [*13] or in the Revitalizing Area accessible to public transportation.

According to the plaintiffs, HUD's obligation to "set aside contract authority" for fiscal year (FY) 1997 arose on October 1, 1996, and was not extinguished by the attainment of the 7100 target one day later.

n7 Because the particular § 8 programs referred to in PP 5.5.2 and 5.5.3 were repealed in 1983, the plaintiffs actually seek comparable relief as provided for in P 8.6 of the decree. See HUD's Resp at 3 n.3; 523 F. Supp. at 681-62.

It is true that HUD's obligation to "set aside" the § 8 units arose on the first day of FY1997. We earlier held that the appropriate reading of the consent decree

required HUD to set aside the funds on that particular day, rather than permit HUD to set aside funds anytime during the fiscal year. *Gautreaux v. Pierce*, 548 F. Supp. 1298, 1300-01 (N.D. Ill. 1982). Setting a firm date for the set aside obligation comported best with the purpose of the decree: to provide a "continuous stream of relief" [*14] instead of "repeated gaps [in funding] of indeterminate length." *Id.* at 1300.

We did not, however, expressly or implicitly determine that HUD, having set aside the funds at the start of the fiscal year, would be required to continue to execute the § 8 contracts after reaching the 7100 target. We are instead persuaded that P 5.1 means exactly what it says when it directs HUD to provide assisted housing "until" the 7100 target is reached. Although HUD must "set aside" the § 8 units at the start of the fiscal year, the units are "for use" after that date, PP 5.5.2, 5.5.3, and nothing in P 5.1 suggests that HUD must continue to provide the units after the 7100 goal is reached. Indeed, even "unused" units otherwise available "for use" in the next year expire when "HUD's obligations have terminated pursuant to paragraph 5.1, 5.2, 8.1 or 8.2." PP 5.5.2.c., 5.5.3.b. n8 Accordingly, we conclude that HUD's obligation to provide further assistance under PP 5.5.2 and 5.5.3 ended on October 2, 1996.

n8 We find unpersuasive the plaintiffs' reliance on a purported implication contained in an October 1992 agreement entered into with HUD. In that agreement, HUD received, in exchange for some other consideration, a 50 occupancy credit toward the 7100 target; the parties conditioned the agreement so that if the 7100 target would be reached at the end of the fiscal year because of the credit, then the credit would not be counted that year. Letter of October 28, 1992. However, the agreement can be read as simply ensuring that the set aside obligation would arise in those circumstances and the plaintiffs could take advantage of the funds in the next fiscal year until the 7100 target was reached without the 50 occupancy credit.

[*15]

IV. HUD's Approval of CHA § 8 Contract Authority

Finally, the plaintiffs move to enforce P 5.8.1 of the consent decree. Paragraph 5.8.1 generally prohibits HUD from approving certain § 8 assistance in Chicago unless at least one-third of the units are used in the General Area and no more than one-third of the units are used in the Limited Area:

5.8.1. In any fiscal year unless otherwise ordered by

the Court under paragraph 8.4, HUD will not approve housing assistance plans or approve or set aside contract authority for Section 8 New Construction or Existing (other than Moderate Rehabilitation) housing in the City of Chicago unless (a) not less than one-third of the units of Section 8 New Construction housing and not less than one-third of the units of Section 8 Existing housing (other than Moderate Rehabilitation) within the City of Chicago are to be physically located within the General Area, and (b) not more than one-third of the units of Section 8 New Construction housing and not more than one-third of the units of Section 8 Existing housing (other than Moderate Rehabilitation) within the City of Chicago are to be physically located within the Limited Area.

[*16]

523 F. Supp. at 679-80. According to the plaintiffs, and not seriously disputed by HUD, over one-third of the § 8 assistance units have been used in the Limited Area since the entry of the consent decree in 1981. Apparently, the plaintiffs and HUD have been negotiating for several years to resolve the noncompliance without success. Now, the plaintiffs seek unspecified relief.

We deny the motion because of the impracticality of shaping appropriate relief for the noncompliance after the plaintiffs year-after-year failed to enforce the provision. The plaintiffs themselves admit that "the last thing plaintiffs would have desired was a cut-off of Section 8 funding for Chicago families," Pls.' Reply at 11, but that is precisely what the consequence of enforcing P 5.8.1 would have been. Moreover, the decree itself contains a mechanism under which HUD could have an-

nually petitioned this court to waive the requirements of P 5.8.1 by reclassifying Limited Areas as Revitalizing or General Areas. See Decree P 8.4. After the plaintiffs' failures to move to enforce P 5.8.1, HUD each year lost a meaningful opportunity to petition for reclassification under P 8.4. Cf. *Zelazny v. Lyng*, [*17] 853 F.2d 540, 543 (7th Cir. 1988) (laches applied where plaintiff inexcusably delayed and defendant suffered prejudice). Furthermore, each year's approval of § 8 contract authority in Chicago resulted in the use of the subsidies; the plaintiffs provide no suggestion regarding how to undo or remedy those tenants' voluntary uses of the subsidies. Indeed, we cannot identify the contours of the harm inflicted by HUD's annual approval, and without ascertaining the scope of the harm, fashioning relief would be arbitrary. Finally, we point out that HUD's duties under paragraph 5 of the decree ended when the 7100 target was reached, see Decree P 5.1, including the limitations imposed by P 5.8.1.

V. Conclusion

For the reasons explained above, we deny the plaintiffs' motion to modify the judgment order against CHA; grant HUD's motion to terminate the consent decree while retaining jurisdiction over the plaintiffs' attorneys' fees petition; deny the plaintiffs' motion to declare that HUD has a continued obligation for FY1997; and deny the plaintiffs' motion to enforce P 5.8.1. It is so ordered.

MARVIN E. ASPEN

United States District Judge

Dated 8/26/97

~~ance by formula under such section 14 (this section).~~

~~"(2) Modifications.—The Secretary shall submit a report to Congress, within 2 years after the date of enactment of this Act [Nov. 28, 1990], recommending any changes to such section 14 that the Secretary determines are appropriate to take into account the relative needs of public housing agencies for assistance to carry out lead-based paint testing and abatement activities. The Secretary shall not adopt any changes to the formula for this purpose except by law."~~

Urban Revitalization Demonstration Program

Pub.L. 103-124, Title II, Oct. 28, 1993, 107 Stat. 1285, provided in part that: "For the urban revitalization demonstration program under the third paragraph under the head 'Homeownership and Opportunity for People Everywhere grants (HOPE grants)' in the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1993, Public Law 102-389, 106 Stat. 1571, 1579 [set out below in this note], \$778,240,000 [is appropriated], to remain available until expended: *Provided*, That notwithstanding the first proviso in such third paragraph [set out below in this note], the Secretary shall have discretion to approve funding for more than fifteen applicants: *Provided further*, That no part of the foregoing amount that is used for the urban revitalization demonstration program shall be made available for an application that was not submitted to the Secretary by May 26, 1993: *Provided further*, That of the foregoing \$778,240,000, the Secretary may use up to \$2,500,000 for technical assistance under such urban revitalization demonstration, to be made available directly, or indirectly under contracts or grants, as appropriate: *Provided further*, That nothing in this paragraph shall prohibit the Secretary from conforming the program's standards and criteria set forth herein, with subsequent authorization legislation that may be enacted into law: *Provided further*, That of the \$778,240,000 made available under this heading, \$20,000,000 shall be made to eligible grantees under the urban revitalization demonstration program, to implement programs authorized under subtitle D of title IV [section 12899 et seq. of this title], and of which, \$10,000,000 shall be made

for youth apprenticeship training activities for joint labor-management organizations pursuant to section 3(c)(2)(B) of the Housing and Urban Development Act of 1968, as amended [section 1701(c)(2)(B) of Title 12, Banks and Banking]."

Pub.L. 102-389, Title II, Oct. 6, 1992, 106 Stat. 1579, provided in part that: "Furthermore, \$300,000,000 shall be for grants to carry out an urban revitalization demonstration program involving major reconstruction of severely distressed or obsolete public housing projects, to be administered by local public housing agencies: *Provided*, That such funding shall be made available to up to 15 cities selected from either the 40 most populous United States cities or, from any city whose housing authority was considered to have been on the Department's troubled housing authorities list as of March 31, 1992: *Provided further*, That no more than \$50,000,000 shall be provided to each participating municipality: *Provided further*, That no more than 500 units shall be funded for each participating city and such units shall be located in up to 3 separately defined areas containing the community's most severely distressed projects, including family high-rise projects: *Provided further*, That at least 80 per centum of the funding provided to each participating public housing agency shall be used for the capital costs of major reconstruction, rehabilitation and other physical improvements, for the capital costs of replacement units and for certificates under section 8(b) [section 1437f(b) of this title] used for replacement and for management improvements for the reconstructed project and for planning and technical assistance purposes and not more than 20 per centum shall be used for community service programs (as defined by the Commission on National and Community Service) and for supportive services, including, but not limited to, literacy training, job training, day care, youth activities, administrative expenses, and the permissive and mandatory services authorized under the Gateway Program established in the Family Support Centers demonstration program, provided for in 42 U.S.C. 11485e-f [probably means section 11485(e), (f) of this title]: *Provided further*, That each participating city shall make contributions for supportive services in an amount equal to 15 per centum of the funding provided for supportive services pursuant to the

immediately preceding proviso: *Provided further*, That all such contributions from participating jurisdictions for supportive services shall be derived from non-Federal sources: *Provided further*, That each participating community shall submit a plan for program implementation which is consistent with the local comprehensive housing affordability strategy prepared pursuant to section 105 of the Cranston-Gonzalez National Affordable Housing Act [section 12705 of this title] and which has the approval of the local governing body: *Provided further*, That each plan shall include a community services component, but no funds are to be disbursed pursuant to this paragraph until such community services program has been approved by the Commission on National and Community Service: *Provided further*, That funds made available pursuant to this paragraph may be used in conjunction with, but not in lieu of, funding provided under the head 'Modernization of Low-Income Housing Projects' for the modernization of existing public housing projects pursuant to section 14 of the Act (42 U.S.C. 1437f) [this section]; for construction or major reconstruction of obsolete public housing, other than for Indian families; for the replacement of public housing units pursuant to section 18 of the Act [section 1437p of this title]; and for the HOPE for Public and Indian Housing Homeownership program as authorized under title III of the Act [subchapter II-A of this chapter]: *Provided further*, That notwithstanding the provisions of section 18(b)(3) of the Act [section 1437p(b)(3) of this title], units demolished, disposed of or otherwise eliminated under this demonstration may be replaced as follows: one-third by certificates under section 8(b) [section 1437f(b) of this title] and the balance by any combination of conventional public housing and units acquired or otherwise provided for homeownership under section 5(h) of the Act [section 1437c(h) of this title], housing made available through housing opportunity programs of construction or substantial rehabilitation of homes meeting essentially the same eligibility requirements as those established pursuant to sections 603-607 of the Housing and Community Development Act of 1987 (Public Law 100-242) [set out as a note under section 1715f of Title 12, Banks and Banking], or under the HOPE II or III programs, as established under sec-

tions 421 and 441 of the Cranston-Gonzalez National Affordable Housing Act [sections 12871 and 12891 of this title]; persons displaced by the reconstruction activities provided for herein shall be eligible for these replacement units: *Provided further*, That, in order to be eligible for funding under this paragraph, applications for funding must be received within 180 days from the date the Notice of Funds Availability is published in the Federal Register: *Provided further*, That the Secretary of the Department of Housing and Urban Development shall issue a notice of funds availability within 90 days of enactment of this paragraph [probably means date of enactment of this paragraph, Oct. 6, 1992]: *Provided further*, That the Secretary shall determine which cities have been selected to participate in the program within 90 days of the timely receipt of the last eligible application: *Provided further*, That housing authorities, in submitting their application for funds under this paragraph, shall identify all severely distressed public housing developments, using the criteria set forth by the National Commission on Severely Distressed Public Housing: *Provided further*, That nothing in this paragraph shall prohibit the Secretary from conforming the program standards and criteria set forth herein, with subsequent authorization legislation that may be enacted into law: *Provided further*, That the authority in the immediately preceding proviso shall not apply to any legislation that excludes or otherwise limits self-sufficiency or community service activities set forth in this paragraph, or authorize reallocation of amounts available for obligation which are included in this paragraph: *Provided further*, That any troubled housing authority that applies for funds under this paragraph, shall not be eligible if the Secretary certifies to the Congress that they are not making substantial progress to eliminate their troubled status in accordance with section 6(j) of the Housing Act of 1937 [section 1437d(j) of this title], as amended: *Provided further*, That in the event that communities applying for funding under this paragraph also request funding under any other HOPE program authorized under title III or title IV of the Cranston-Gonzalez National Affordable Housing Act [Title III or Title IV of Pub.L. 101-625, Nov. 28, 1990, 104 Stat. 4129, 4148, for classifications of which see Te-

bles], the Secretary shall process such applications concurrently and in an expeditious manner: *Provided further*, That, in the event that any application received from the cities initially selected to participate in this program is determined to be unacceptable, the Secretary shall select another city from the 40 most populous United States cities to receive funding

under this paragraph: *Provided further*, That, in the event that communities selected to receive funding do not proceed in a manner consistent with the plan approved for that community, the Secretary may withdraw any unobligated balances of funding made available pursuant to this paragraph and distribute such funds to other eligible communities."

CROSS REFERENCES

- Abatement, inspection and reporting requirements for assistance under this section for purposes of elimination of lead paint poisoning, see 42 USCA § 4822.
- Choice in Public Housing Management Act, financial assistance for grants available under this section, see 42 USCA § 1437w.
- Comprehensive improvement assistance under this section for purposes of—
 - Lower income housing projects, see 42 USCA § 1437c.
 - Public housing homeownership, see 42 USCA § 1437s.
 - Public housing resident management, see 42 USCA § 1437r.
- Home Investment Partnerships, funds not available to carry out activities authorized under this section, see 42 USCA § 12742.
- Local housing assistance plan, formula allocation not applicable to assistance approved under this section, see 42 USCA § 1439.
- Mutual Help Homeownership Opportunity Program for Indian families, assistance provided for comprehensive modernization under this section, see 42 USCA § 1437bb.
- Performance indicators for public agencies for purposes of evaluation of management operations, see 42 USCA § 1437d.
- Public and Indian Housing Program, modernization grants available under this section, see 12 USCA § 1701u.
- Rehabilitation of vacant public housing units in accordance with this section for purposes of replacement plan under homeownership program, see 42 USCA § 1437aaa-3.
- Severely distressed public housing defined for purposes of revitalization, see 42 USCA § 1437v.

LIBRARY REFERENCES

Administrative Law

Low-income housing programs, requirements, see 24 C.F.R. § 813.101 et seq.

American Digest System

Building health regulations, slum clearance and public housing, see Health and Environment ¶32.

Federal benefits for Native Americans, see Indians ¶7.

Federally controlled housing and home finance organizations, see United States ¶53(9).

Encyclopedias

Building health regulations, slum clearance and public housing, see C.J.S. Health and Environment § 28 et seq.

Federal benefits for Native Americans, see C.J.S. Indians § 46 et seq.

Federally controlled housing and home finance organizations, see C.J.S. United States § 70.

WESTLAW ELECTRONIC RESEARCH

Health and Environment cases: 199k[add key number].

Indians cases: 209k[add key number].

United States cases: 393k[add key number].

See, also, WESTLAW guide following the Explanation pages of this volume

PURPOSE OF THE HOPE VI PROGRAM

HOPE VI was originally conceived as a demonstration program which would promote fundamental changes in the way PHAs developed and administered public housing, and in the way HUD related to those PHAs. Its purpose was and remains to revitalize severely distressed or obsolete public housing developments. HOPE VI is a key ingredient in the Department of Housing and Urban Development's Transformation of Public Housing efforts. The elements of public housing transformation that have proven key to HOPE VI include:

1. Changing the physical shape of public housing. This includes tearing down the eyesores that are often identified with obsolete public housing and replacing them with homes that complement the surrounding neighborhoods and are attractive and marketable to the people they are intended to serve, meeting contemporary standards of modest comfort and liveability. HOPE VI funds should be used to create institutional and physical structures that serve the needs of public housing residents over the long term in a cost-effective manner.
2. Establishing positive incentives for resident self-sufficiency and comprehensive services that empower residents. Programs should be outcome-based, directed at residents moving up and out of public housing.
3. Enforcing tough expectations through strict occupancy and eviction rules, such as the "One Strike and You're Out" policy supported by the Housing Opportunity Program Extension Act of 1996 (Pub. L. 104-120; approved March 28, 1996). The goal of these rules is to improve the quality of life for residents, create safer, family-friendly environments conducive to learning, and make areas around public housing more attractive to businesses that can create well-paying jobs.
4. Lessening concentrations of poverty by placing public housing in nonpoverty neighborhoods, or by promoting mixed-income communities where public housing once stood alone, thereby ending the social and economic isolation of public housing residents, increasing their access to quality municipal services such as schools, and increasing their access to job information and mentoring opportunities.
5. Forging partnerships with other agencies, local governments, nonprofit organizations, and private businesses to leverage support and resources, whether financial or in-kind.

FY 1996

The FY 1996 Appropriations Act (Pub.L. 104-134, approved April 26, 1996) allocated \$480 million for HOPE VI. Of that amount, \$3,216,000 was allocated for technical assistance, leaving \$476,784,000 available for Implementation grants. A NOFA was issued on July 22, 1996, and 138 applications were received on the September 10, 1996 due date. 20 grants totalling 403,313,070 were awarded for demolition and revitalization activities. 24 grants totalling 73,470,930 were awarded for demolition only. The total amount awarded in FY 1996 was \$476,784,000.

FY 1997

The Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (The FY 1997 Appropriations Act) (Pub.L. 104-204, approved September 26, 1996) allocated \$550 million for HOPE VI under the heading "Revitalization of Severely Distressed Public Housing." Of that amount, \$2.5 million was allocated for technical assistance, \$70 million for Section 8 assistance, \$30 million for demolition grants, and \$447.5 million for demolition and revitalization grants. Separate NOFAs are expected to be published for the Section 8, Demolition only, and Demolition and Revitalization portions of the appropriation.

PURPOSE OF THE HOPE VI PROGRAM

HOPE VI was originally conceived as a demonstration program which would promote fundamental changes in the way PHAs developed and administered public housing, and in the way HUD related to those PHAs. Its purpose was and remains to revitalize severely distressed or obsolete public housing developments. HOPE VI is a key ingredient in the Department of Housing and Urban Development's Transformation of Public Housing efforts. The elements of public housing transformation that have proven key to HOPE VI include:

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5. Forging partnerships with other agencies, local governments, nonprofit organizations, and private businesses to leverage support and resources, whether financial or in-kind.

PROGRAM AUTHORITY AND FUNDING HISTORY

FY 1993 and FY 1994

The HOPE VI Program was created by the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1993 (Pub.L. 102-389), approved on October 6, 1992 (the 1993 Appropriations Act). Congress has never passed an authorization bill for the program, and, therefore, HUD has not issued program regulations. Grants are governed by each Fiscal Year's Notice of Funding Availability (NOFA) and each recipient's Grant Agreement.

The FY 1993 Appropriations Act made \$300 million available for Planning and Implementation grants to PHAs in the 40 most populous cities in the U.S., or in any city whose PHA was on HUD's current troubled housing authority list. A NOFA was published in the Federal Register on January 4, 1993 and revised and restated on March 29, 1993. On May 4, 1993 the deadline was extended to May 26, 1993. 41 applications were received by HUD. In August 1993, 2 Planning and 6 Implementation applications received full funding and 7 Implementation applications received partial funding.

The FY 1994 Appropriations Act (Pub.L. 103-124, approved on October 28, 1993) allocated an additional \$778.24 for HOPE VI. Of that amount, \$2.5 million was allocated for technical assistance, and \$20 million was allocated for the Youthbuild program, leaving \$755.74 million available to fund additional HOPE VI applications submitted in FY 1993. In November 1993 the 7 partially-funded applications from FY 1993 were fully funded, and 2 new Planning and 5 new Implementation grants were fully funded from the FY 1994 appropriation. A total of 13 Implementation grants totalling \$543,836,418 and 2 Planning grants totalling \$1 million were awarded as FY 1993 grants. An additional 13 Implementation grants totalling \$507,838,089 and 6 Planning grants totalling \$2,725,472 were awarded as FY 1994 grants. The total amount awarded for FY 1993 and FY 1994 was \$1,055,399,979.

FY 1995

The FY 1995 Appropriations Act (Public Law 103-327, approved September 28, 1994) allocated \$500 million for HOPE VI. Of that amount, \$2.5 million was allocated for technical assistance, leaving \$497.5 available for HOPE VI Planning and Implementation grants.

A letter from HUD dated January 9, 1995 invited the 8 Planning grantees from FY 1993 and 1994 to apply for Implementation grants. Those Implementation grants, totalling \$349,999,018, were awarded on January 19, 1995.

A letter from HUD dated February 3, 1995 invited all eligible PHAs to apply for Planning and Implementation grants. Applications for Planning grants were due to HUD on February 28, 1995. \$10,726,609 was awarded on a non competitive basis to 27 PHAs for Planning grants of \$400,000 apiece.

Applications for Implementation grants were due to HUD on April 17, 1995. Six finalists were invited to submit revised submissions by August 30, 1995. On September 28, 1996, 5 PHAs were awarded Implementation grants totalling \$103,257,000.

FY 1996

The FY 1996 Appropriations Act (Pub.L. 104-134, approved April 26, 1996) allocated \$480 million for HOPE VI. Of that amount, \$3,216,000 was allocated for technical assistance, leaving \$476,784,000 available for Implementation grants. A NOFA was issued on July 22, 1996, and 138 applications were received on the September 10, 1996 due date. 20 grants totalling 403,313,070 were awarded for demolition and revitalization activities. 24 grants totalling 73,470,930 were awarded for demolition only. The total amount awarded in FY 1996 was \$476,784,000.

FY 1997

The Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (The FY 1997 Appropriations Act) (Pub.L. 104-204, approved September 26, 1996) allocated \$550 million for HOPE VI under the heading "Revitalization of Severely Distressed Public Housing." Of that amount, \$2.5 million was allocated for technical assistance, \$70 million for Section 8 assistance, \$30 million for demolition grants, and \$447.5 million for demolition and revitalization grants. Separate NOFAs are expected to be published for the Section 8, Demolition only, and Demolition and Revitalization portions of the appropriation.

FY 1995 APPROPRIATION ACT

H.R. 4626, Public Law 103-327, Approved on 9-28-94

SEVERELY DISTRESSED PUBLIC HOUSING

For the HOPE VI/urban revitalization demonstration program under the third paragraph under the head "Homeownership and Opportunity for People Everywhere grants (HOPE grants)" in the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1993, Public Law 102-389, 106 Stat. 1571, 1579, \$500,000,000, to remain available until expended:

Provided, That notwithstanding the first proviso of such third paragraph, the Secretary shall have discretion to approve funding for more than fifteen applicants:

Provided further, That notwithstanding the third proviso of such third paragraph, the Secretary may provide funds for more than 500 units for each participating city:

Provided further, That in selecting HOPE VI implementation grants recipients in fiscal year 1995, the Secretary must first award such grants to those cities or jurisdictions which have received HOPE VI planning grants in fiscal year 1993 or fiscal year 1994:

Provided further, That the requirement of the immediately preceding proviso shall not limit the Secretary's discretion to limit funding to amounts he deems appropriate, nor shall it prevent the Secretary from guaranteeing that all implementation grant recipients conform with the requirements of the HOPE VI/urban revitalization demonstration program:

Provided further, That of the foregoing \$500,000,000, the Secretary may use up to \$2,500,000 for technical assistance under such urban revitalization demonstration, to be made available directly, or indirectly, under contracts or grants, as appropriate:

Provided further, That nothing in this paragraph shall prohibit the Secretary from conforming the program standards and criteria set forth herein, with subsequent authorization legislation that may be enacted into law.

FY 1996 APPROPRIATION ACT

Public Law 104-134, Approved on 4-26-95

Omnibus Consolidated Rescissions and Appropriation Act of 1996

PUBLIC HOUSING DEMOLITION, SITE REVITALIZATION, AND REPLACEMENT HOUSING GRANTS

For grants to public housing agencies for the proposes of enabling the demolition of obsolete public housing projects or portions thereof, the revitalization (where appropriate) of sites (including remaining public housing units) on which such projects are located, replacement housing which will avoid or lessen concentration of very low-income families, and tenant-based assistance in accordance with section 8 of the United States Housing Act of 1937 for the purpose of providing replacement housing and assisting tenants to be displaced by the demolition, \$480,000,000, to remain available until expended;

Provided, That the Secretary of Housing and Urban Development shall award such funds to public housing agencies based upon, among other relevant criteria, the local and national impact of the proposed demolition and revitalization activities and the extent to which the public housing agency could undertake such activities without the additional assistance to be provided hereunder;

Provided further, That eligible expenditures hereunder shall be those expenditures eligible under section 9 and section 14 of the United States Housing Act of 1937 (42 U.S.C. 1437f and l);

Provided further, That the Secretary may impose such conditions and requirements as the Secretary deems appropriate to effectuate the proposes of this paragraph;

Provided further, That the Secretary may require and agency selected to receive funding to make arrangements satisfactory to the Secretary for use of an entity other than the agency to carry out this program where the Secretary determines that such action will help to effectuate the propose of this paragraph;

Provided further, That in the event an agency selected to receive funding does not proceed expeditiously as determined by the Secretary, the Secretary shall withdraw any funding made available pursuant to this paragraph that has not been obligated by the agency and distribute such funds to one or more other eligible agencies, or to other entities capable of proceeding expeditiously in the same locality with the original program;

Provided further, That of the foregoing \$480,0000, the Secretary may use up to .67 per centum for technical assistance, to be provided directly or indirectly by grants, contracts or cooperative agreements, including training and cost of necessary travel for participants in such training, by or to officials and employees of the Department and of public housing agencies and to residents;

Provided further, That any replacement housing provided with assistance under this head shall be subject to section 1809 of the United States Housing Act of 1937, as amended by section 201(b)(2) of this Act.

FY 1997 APPROPRIATION ACT

H.R. 3666, Public Law 104-204, Approved on 9-26-96

Department of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriation Act, 1997

REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING

For grants to public housing agencies for assisting in the demolition of obsolete public housing projects or portions thereof, the revitalization (where appropriate) of sites (including remaining public housing units) on which such projects are located, replacement housing which will avoid or lessen concentrations of very low-income families, and tenant-based assistance in accordance with section 8 of the United States Housing Act of 1937; and for providing replacement housing and assisting tenants to be displaced by the demolition, \$550,000,000, to remain available until expended, of which the Secretary may use up to \$2,500,000 for technical assistance, to be provided directly or indirectly by grants, contracts or cooperative agreements, including training and cost of necessary travel for participants in such training, by or to officials and employees of the Department and of public housing agencies and to residents;

Provided, That no funds appropriated in this title shall be used for any purpose that is not provided for herein, in the Housing Act of 1937, in the Appropriations Acts for Veterans Affairs, Housing and Urban Development, and Independent Agencies for the fiscal years 1993, 1994, and 1995, and the Omnibus Consolidated Rescissions and Appropriations Act of 1996;

Provided further, That none of such funds shall be used directly or indirectly by granting competitive advantage in awards to settle litigation or pay judgments, unless expressly permitted herein;

Provided further, That, notwithstanding any other provision of law, the funds made available to the Housing Authority of New Orleans, under HOPE VI for purposes of Desire Homes, shall not be obligated or expended for on-site construction until and independent third party has determined whether the site is appropriate.

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

DOROTHY GAUTREAUX, et al.,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	Civil Action No. 66C1453
	)	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

by CHA prior to the Effective Date, except obligations incurred pursuant to the ACC unless the Receiver is excused from complying with the terms thereof pursuant to Paragraph 3 above, or (ii) payment of any costs or performance of any obligations incurred by CHA thereafter, except as may be specifically authorized by the Receiver in writing. Notwithstanding the foregoing, the Receiver shall not be responsible for (iii) compliance with the provisions of any ACC with respect to buildings and sites previously acquired or completed by CHA except those described in Exhibit A, or (iv) any act or omission of CHA either before or after the Effective Date.

5. The Receiver shall promptly turn over to CHA, and CHA shall accept, any building within the scattered site program upon completion of construction or rehabilitation of each such building. For purposes hereof, subject to the reasonable approval of HUD, construction or rehabilitation of a building shall be deemed to be completed when the Receiver's project architect determines that such building is ready for occupancy, and, if required by applicable law or ordinance, a certificate of occupancy has been issued for such building.

6. The Receiver shall prepare reports respecting the status and implementation of the scattered site program as of the end of each month in the year 1987, commencing with the month of September, 1987, and thereafter quarterly as of March 31, June 30, September 30 and December 31 of each year. Copies of the same shall be filed with the Court and served on

the parties within 20 days following the end of the period covered by each such report.

7. 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.

8. There shall be paid to the Receiver from funds provided by HUD pursuant to the ACC or Annual Contributions Contracts entered into between the Receiver and HUD, or by CHA if appropriate, (i) all direct costs and expenses reasonably incurred by the Receiver in connection with the performance by the Receiver of its duties pursuant hereto, (ii) to the extent not included in clause (i), a pro-rata share of all salary, compensation and other direct costs of those employees of The Habitat Company (other than Daniel E. Levin, James P. McHugh and Douglas R. Woodworth), James McHugh Construction Co. (other than James P. McHugh) or other entities which are affiliates of or controlled either directly or indirectly by the Receiver, who at the direction of the Receiver perform services on behalf of the scattered site program, for the actual time devoted by said employees to the performance of services for the scattered site program, and (iii) a fee in the amount of three percent (3%) of the aggregate development costs (excluding the costs described in clause (ii) above and any costs previously incurred by CHA)

for each building in the scattered site program (except buildings developed pursuant to a turnkey development) as reflected on the original development budget(s) therefor submitted by the Receiver and approved by HUD, the fee for such building being payable upon the completion thereof as determined in accordance with Paragraph 5 hereof. The Court will set a reasonable fee with respect to turnkey developments. The Court hereby determines that included in the category of expenditures for which the Receiver shall be entitled to reimbursement are all costs, expenses and liabilities (including reasonable attorneys' fees and court costs) reasonably incurred or sustained by the Receiver by reason of the performance by the Receiver of its duties pursuant to the provisions hereof to the extent said costs, expenses and liabilities are not covered by the insurance described in Paragraph 2(b)(iii) above.

9. Nothing in this Order shall (i) preclude or restrict the Receiver or any party hereto from asserting any claims against the Receiver or any other party hereto for any matter in connection with the scattered site program or otherwise; provided, however that the foregoing shall not constitute a waiver by the Receiver or any other party of any defense which it may have to such claim, including, but not limited to, a defense by the Receiver that it enjoys immunity from such claim, (ii) obligate HUD to furnish funds to the Receiver in addition to any funds which HUD would otherwise be obligated to provide

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



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

July 11, 1996

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

Gautreaux

Mr. ~~Polikoff~~:

This is in response to your June 10, 1996 letter to Associate General Counsel Carole W. Wilson requesting a "set aside" of 1996 HOPE VI funding for the receiver of the Chicago Housing Authority.

We regret that HUD cannot accede to your request. A "set aside" to the receiver is not appropriate because the statute in the first instance leaves to a PHA's discretion whether it wants to apply for a HOPE VI grant at all and how it would want to use the funds for which it applies. For example, if CHA applies for a HOPE VI grant to enable the demolition of a public housing project, it may want to focus on site revitalization without any replacement housing, or, if it plans to have any replacement housing, it might want to use the money for Section 8 certificates rather than replacement public housing units. Since it is a matter of law, we cannot provide the "set aside" you seek, nor do we believe we have no obligation under paragraph 8.6 of the recent decree to do so. That provision, which requires comparable relief, makes it clear that plaintiffs are only entitled to comparable relief that is "consistent with HUD's revised funding or statutory authority."

For your information, the HOPE VI grants will be awarded under a competitive process. However, the NOFA will provide an absolute priority for a CHA HOPE VI application seeking funding for up to 350 replacement public housing units in order to fulfill the present obligation to provide comparable relief in lieu of 350 section 8 new construction units that were required by the decree.

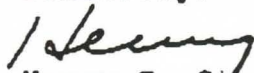
Of course, the award depends on CHA submitting an approvable HOPE VI application for the replacement housing you seek, which meets the statutorily mandated requirements of the NOFA. Because of this uncertainty, we again ask whether the plaintiffs want to receive the 350 Section 8 certificates, with \$1500 per certificate in mobility counselling funds, as we offered earlier.

is year, in satisfaction of HUD's FY 1996 comparable relief obligations. There are other pressing needs for these funds and needs to make them available, if plaintiffs do not want to have them provided under the consent decree.

I would hope that you will be able to provide a response in time for your meeting on July 16th with my staff and Joseph Shuldiner.

Please feel free to call me if I can be of assistance to you. Keep up your good work. Gautreaux is a model of success for our nation!

Sincerely,


Henry G. Cisneros

Edwin Eisendrath
Joseph Shuldiner
Kevin Marchman



Business and Professional People
for the Public Interest

July 25, 1996

**COPY BY FAX
ORIGINAL BY MAIL**

Mr. Joseph Shuldiner
Executive Director
Chicago Housing Authority
626 West Jackson Boulevard
Chicago, Illinois 60661

Dear Joe:

This letter attempts to set out the understanding I believe we reached at our meeting in Betsy Julian's conference room on July 16 concerning the FY1996 Gautreaux set-aside.

Although we do not agree, HUD is taking the position that the FY1996 set-aside must be made available to Gautreaux plaintiffs pursuant to a CHA HOPE VI application for demolition of one or more CHA buildings under a NOFA to be issued shortly. Nonetheless HUD has said,

"For your information, the HOPE VI grants will be awarded under a competitive process. However, the NOFA will provide an absolute priority for a CHA HOPE VI application seeking funding for up to 350 replacement public housing units in order to fulfill the present obligation to provide comparable relief in lieu of 350 section 8 new construction units that were required by the decree."

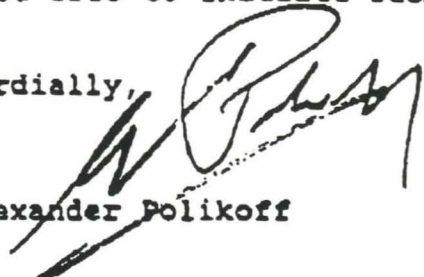
Under these circumstances, we have agreed as follows:

- (1) CHA will work with the Gautreaux plaintiffs to prepare and submit an application under the forthcoming NOFA for the specific purpose of obtaining the "absolute priority" funding for 350 replacement public housing units referred to in Secretary Cisneros' letter. (CHA intends to submit a separate NOFA application for funding in addition to this "absolute priority" amount.)
- (2) The FY1996 Gautreaux set-aside funding will only be expended, and the buildings to be demolished for which any part of the FY1996 Gautreaux set-aside is

to be used as replacement housing will only be selected, upon the mutual agreement of CHA and the Gautreaux plaintiffs, or pursuant to a decision of the Gautreaux court under paragraph (3) below.

- (3) If after a reasonable time CHA and the Gautreaux plaintiffs are unable to agree upon the expenditure of some part or all of the FY1996 Gautreaux set-aside funding, or upon such selection of buildings to be demolished, the disagreement of the parties shall be submitted for resolution to the Gautreaux court. Either party shall be free to initiate such submission.

Cordially,

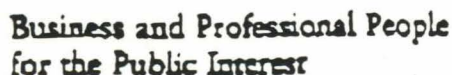

Alexander Polikoff

ALP:mm

AGREED:


Joseph Shuldiner, Executive Director
Chicago Housing Authority

cc: Edwin Eisendrath



July 15, 1997

[illegible]

Mr. Andrew Rodriguez
Director/Redevelopment Division
Chicago Housing Authority
626 West Jackson Boulevard
Chicago, Illinois 60661

Dear Andy:

Here is a draft of the ABLA letter we discussed yesterday. Let me know if you'd like any changes to be made. As you can see, the letter calls for the current NOFA docket number, which I'd appreciate your filling in.

In the present circumstances I feel compelled to point out it remains the Gautreaux position that court orders require the Receiver to develop all public housing units, including any to be developed at ABIA, even though HOPE VI funds are used. Accordingly, unless and until court orders are changed or we agree to some other arrangement (as we have at Darrow pending a court order), I can only authorize CHA to use our ABIA letter upon the understanding that it too accepts that position.

Cordially

Alexander Porikoff

Honorary Board
Ronald Sims
Ronald Gwyneth
Lloyd Johnson
Walter Johnson
John McLaughlin
Clare Williams
Fleming W. White, Jr.

Fast Friends
Carlton E. Stewart
Ellen Johnson
Robert E. Lingo
James W. Ashby
Alvin Sims
S. Ray McDermott, Jr.

Alexander Bell
 Executive Director
 John H. Bell
 Acting Chair
 Robert L. Bell, Jr.
 Robert L. Bell, Jr.
 Robert L. Bell, Jr.
 Robert L. Bell, Jr.
 Robert L. Bell, Jr.

Administration of Program Staff
 Michael M. Miller
 Administration Director
 Dr. Christopher
 Thomas, Manager
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 Kathy Anderson
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Jerome Butler (312/726-6053)
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Edwin Sisendrath (312/886-2729)
Rosanna Marquez (312/744-2324)

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

DOROTHY GAUTREAUX, et al.,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	66 C 1459
	)	66 C 1460
CHICAGO HOUSING AUTHORITY and	)	
HENRY CISNEROS, Secretary of	)	(Consolidated)
Department of Housing and Urban	)	
Development,	)	
	)	
Defendants.	)	

O R D E R

This matter coming on to be heard on the presentations of the parties, and the Court having heard the same, it is hereby ordered:

1. The Court hereby designates as the Horner Revitalizing Area ("HRA") that portion of the City of Chicago that lies between Damen Avenue on the East, Western Avenue on the West, Lake Street on the North, and the Eisenhower Expressway on the South.

2. Notwithstanding any other order in this cause, the joint venture between the Receiver, previously appointed by the Court to develop scattered site public housing on behalf of the defendant, Chicago Housing Authority ("CHA"), and Chicago Metropolitan Housing Development Authority, CHA's not-for-profit development affiliate, may arrange for the development of such number of public housing units within the HRA, subject to such conditions, as may be approved and specified by further order of

the Court.

3. The Court has examined and now hereby approves
Paragraphs 2.C, 8, 14 and 15 of the proposed Consent Decree in
Henry Horner Mothers Guild v. CHA, 91 C 3316 (USDC N.D. Ill).

ENTER



March 9, 1995

Alexander Polikoff
Julia Elena Brown
Business and Professional People
For the Public Interest
17 East Monroe Street - #212
Chicago, Illinois 60603
312/641-5570

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

DOROTHY GAUTREAU, et al.	)	
Plaintiffs,	)	
	)	
vs.	)	66 C 1459
	)	66 C 1460
CHICAGO HOUSING AUTHORITY and	)	
HENRY CISNEROS, Secretary of	)	(Consolidated)
Department of Housing and Urban	)	
Development,	)	
Defendants.	)	

ORDER

This matter coming to be heard on the Joint Motion of Plaintiffs, and Defendants Chicago Housing Authority and Department of Housing and Urban Development, for an order designating a North Kenwood-Oakland Revitalizing Area and permitting development of family public housing units therein, and the Court having heard presentations concerning the proposed order; and

The Receiver, Daniel Levin and The Habitat Company, having represented to the Court that they have examined the proposal respecting the appropriate number of public housing units to be provided therein and the conditions to be made applicable thereto, and that they support the Joint Motion; and

The Court being cognizant that the principal remedial purpose of the orders previously entered in these consolidated cases has been and is to provide plaintiff class families with desegregated housing opportunities; and

The Court also being cognizant that on occasion it has

permitted public or assisted housing to be provided in census tracts not within the General Public Housing Area upon a sufficient showing of "revitalizing" circumstances such that a responsible forecast of economic integration, with a longer term possibility of racial desegregation, could be made; and

The Court being of the view that such a forecast can be made with respect to the North Kenwood-Oakland Revitalizing Area if the terms and conditions of this order are met;

Now, therefore, IT IS HEREBY ORDERED:

1. The Court designates as the North Kenwood-Oakland Revitalizing Area ("Revitalizing Area") that portion of the City of Chicago that lies between Oakwood Boulevard on the north, the Illinois Central Railroad right-of-way on the east, 47th Street on the south, and Cottage Grove Avenue on the west;

2. The Receiver, previously appointed by the Court to develop scattered site public housing on behalf of the defendant, Chicago Housing Authority, shall be free to develop, through new construction or rehabilitation of existing buildings, up to 241 units of public housing within the Revitalizing Area, subject to the following conditions:

- a) No more than 100 units of public housing shall be developed on CHA-owned land that is the site of CHA's Lakefront high-rise buildings (the area bounded by 40th Street on the north, the Illinois Central Railroad right-of-way on the east, 42nd Place on the south, and Lake Park Avenue on the west).

- b) No more than approximately 50 units of public housing shall be developed on the site of the demolished Washington Park buildings (the CHA-owned property bounded by 41st Street on the north, Drexel Avenue on the east, Cottage Grove Avenue on the west, and Bowen Avenue on the south) and adjacent property.
- c) The balance of such units of public housing within the Revitalizing Area, in addition to those referred to in subparagraphs (a) and (b) above, shall be developed on other sites distributed throughout the Revitalizing Area.
- d) One-half of the public housing units developed pursuant to subparagraphs (a) and (b) above shall be occupied by families whose incomes are in the range of 50-80% of the median income in the Chicago Metropolitan Area, and such units shall be geographically distributed approximately evenly among the units developed pursuant to subparagraphs (a) and (b).

3. The CHA Tenant Selection and Assignment Plan previously approved by this Court shall be modified to afford eligible displaced Lakefront tenant families, as defined in the "Revised Agreement Regarding Former Residents of the Lakefront Properties and the Future Use of Those Properties," dated September 22, 1995, between CHA and the Lakefront Community Organization, first

priority to all public housing units developed pursuant to subparagraphs 2(a), (b) and (c) of this Order, subject only to the provisions of subparagraph 2(d) of this Order.

ENTER:

Marion E. Cooper

Judge

Date: *June 3*
~~August~~, 1996

DOROTHY GAUTREAUX, et al., Plaintiffs, v. CHICAGO HOUSING AUTHORITY and JACK KEMP,
Secretary of Department of Housing and Urban Development, Defendants

Case Nos. 66 C 1459, 66 C 1460

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

1991 U.S. Dist. LEXIS 4123

April 2, 1991

April 4, 1991, Docketed

JUDGES: [*1]

Marvin E. Aspen, United States District Judge.

OPINIONBY: ASPEN

OPINION: MEMORANDUM OPINION AND
ORDER

We have before us the Gautreaux plaintiff's motion for further relief, in which they ask for a court order staying the rehabilitation of four high-rise public housing buildings in the North Kenwood-Oakland area of Chicago and directing the Chicago Housing Authority ("CHA") and Receiver to cooperate in the implementation of any development plan for that area that would increase scattered-site housing. Oral arguments on the motion were heard March 1, 1991. n1 As set forth below, we deny plaintiff's motion.

n1 We appreciate the input of the SouthEast side Residents for Justice ("S.E.R.J."), which filed an amicus brief arguing that the motion be denied.

The plaintiffs' argument is essentially this: the CHA is obligated to provide as much scattered site public housing as possible, pursuant to a consent decree, and the Department of Housing and Urban Development ("HUD") is obligated to use its "best efforts" to aid the CHA in this regard. Now, [*2] a plan has been developed that, if implemented, would put 600 new scattered site units into the North Kenwood-Oakland area. The plaintiffs contend that plans to renovate four high-rises (of a group of six; two have already been renovated) would severely compromise, if not destroy, the viability of the scattered site plan. Indeed, plaintiff's counsel at oral argument contended that it was a virtual certainty

that the 600 units of scattered site housing "would go down the drain" without the order sought in the plaintiffs' motion.

The scattered site plan, plaintiffs' counsel argued, constitutes "special and extraordinary circumstances" that would justify a broad reading of the consent decree in this case and other orders of this Court. What plaintiffs desire, the court was told at oral argument, is a signal to CHA and HUD that other alternatives to rehabilitation of the four high-rises are available -- that rehabilitation is not a "fait accompli." Plaintiffs' counsel repeatedly emphasized the limited nature of plaintiffs' requested relief, characterizing it as a court-ordered delay for sufficient time to explore alternatives and choices to rehabilitation.

While we are not unsympathetic [*3] to the plaintiffs' presentation, we do not believe that the extremely broad reading of the consent decrees advocated by the plaintiffs is justified. Further, it is not apparent to us that plaintiffs will necessarily lose what they seek without an order from this court. As the CHA showed, both in its brief and at oral argument, rehabilitation work on the first of the four high-rises at issue will not begin until February 1, 1992. Funding requests for the remaining three buildings will not even be made "four months," let alone be granted, and renovation work on those high-rises may not begin for years. That strikes us as ample time for "alternatives" and "choices" to be fully explored.

In short, we deny plaintiffs' motion both for the reason that it seeks relief beyond the scope of the various orders of this Court and because, in any event, plaintiffs have failed to present a case for such relief. Lakefront Community Organization's petition to intervene as plaintiff is moot. It is so ordered.

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

DOROTHY GAUTREUX, et al.	)	
	)	
Plaintiffs,	)	
	)	66 C 1459
	)	66 C 1460
v.	)	
	)	(Consolidated)
	)	
CHICAGO HOUSING AUTHORITY and	)	
JACK KEMP, Secretary of Department of	)	
Housing and Urban Development,	)	
	)	
Defendants.	)	

MEMORANDUM IN SUPPORT OF
PLAINTIFFS' MOTION FOR FURTHER RELIEF

Plaintiffs, by their attorneys, file this Memorandum in Support of their Motion for Further Relief, dated November 21, 1990.

I. Legal Background.

The basic remedial order against the defendant, Chicago Housing Authority ("CHA"), obligates CHA to provide as much scattered site public housing as possible, as rapidly as possible. Gautreaux v. Chicago Housing Authority, 304 F.Supp. 736, 741. The Consent Decree entered into by the defendant Department of Housing and Urban Development ("HUD"), obligates HUD to use its best efforts to aid CHA in this regard. Gautreaux v. Landrieu, 523 F.Supp. 665, 680 (1981).

The essential thrust of these portions of the cited orders is that, as rapidly and to the maximum degree reasonably possible,

CHA and HUD shall strive to provide scattered site public housing opportunities to members of the plaintiff class in conformity with the Court's orders.

II. Factual Background.

A. The North Kenwood-Oakland Communities.

The North Kenwood-Oakland communities are located along Chicago's lakefront, approximately four miles south of the Loop. A portion of these communities, designated the "North Kenwood-Oakland Conservation Area" (sometimes the "Area" or the "Conservation Area"; see Section IIC, below), comprises 368 gross acres. The Conservation Area is generally bounded by East 36th Street on the North, the Illinois Central-Gulf Railroad right-of-way on the East, East 47th Street on the South, and South Cottage Grove Avenue on the West.

In 1949 the Conservation Area was a thriving and well-populated community; thereafter it experienced a decline in health and character that left it scarcely populated and in various states of disrepair.^{1/} Over 50% of the remaining structures in the Area are now deteriorated or dilapidated.^{2/} According to the 1980 United States Census the median household

^{1/} Kenwood [REDACTED] Neighborhood Conservation Plan, prepared for Illinois Housing Development Authority by Skidmore, Owings & Merrill, November 1990, attached hereto as Exhibit A ("IHDA/Skidmore Plan"), page 1.

^{2/} City of Chicago Department of Housing Report to the Department of Urban Renewal on THE DESIGNATION OF NORTH KENWOOD-OAKLAND CONSERVATION AREA, January 1990, attached hereto as part of Exhibit B ("Department of Housing Report"), page 10.

income in the Area was \$5,317, about one-third of the City of Chicago median household income of \$15,301.

Following World War II six CHA high-rise buildings known as the "Lakefront Properties," having a total of approximately 900 apartments (approximately 150 apartments in each of six buildings), were constructed in the north portion of the Area. In the mid-1980s, by reason of severe deterioration, the buildings were vacated (except for approximately 30 families who remained in one of the six buildings) preparatory to rehabilitation. However, over the ensuing several years no rehabilitation was performed and the buildings deteriorated further. Commencing in 1989 rehabilitation of the two northernmost buildings began and is scheduled to be completed in early 1991, but rehabilitation of the other four buildings, having a total of about 600 apartments, has not yet started.

**B. Staff Report To The Urban Renewal Board On
North Kenwood-Oakland Conservation Area.**

The Illinois Urban Renewal Consolidation Act of 1961 (Ill. Rev. Stat., ch. 67-1/2, Section 91.101 et seq.) defines a "Conservation Area" as an area of not less than 40 acres in which the structure or 50% or more of the area are residential and have an average age of 35 years or more, and which is not yet a slum or blighted area but by reason of various factors, including dilapidation, obsolescence, deterioration, decline of physical maintenance and lack of community planning (or any combination of these), may become a slum and blighted area. (Id., Section 91.103(m).)

In January 1990 the Staff of the Department of Urban Renewal of the City of Chicago determined that the North Kenwood-Oakland Area was eligible for designation as a Conservation Area and recommended that the Urban Renewal Board so designate it.^{3/} The DUR Staff Report states that persons attending two public meetings to consider designation of the Area as a Conservation Area (on November 28, 1989 and January 11, 1990) expressed "overwhelming support" for the designation of the Area as a Conservation Area. (Id., p. 3.)

C. Designation Of The North Kenwood-Oakland Conservation Area.

On January 23, 1990, the Department of Urban Renewal of the City of Chicago duly found that the Area met the statutory requirements and designated it as the North Kenwood-Oakland Conservation Area.^{4/} The "eligibility" findings of the DUR Designation Resolution were that the Area consisted of 368 acres, that structures in 71.82% of the Area were residential, that the average age of structures in the Area was 90 years, and that the Area was at risk of becoming a slum or blighted area. (Id., p. 4.)

^{3/} Staff Report to Department of Urban Renewal Board Meeting, January 23, 1990, attached hereto as part of Exhibit B ("DUR Staff Report"), pages 2-3. Exhibit B consists of the DUR Staff Report and the Department of Housing Report referred to in footnote 2.

^{4/} Resolution No. 90-DUR-1, TO APPROVE THE DESIGNATION OF THE NORTH KENWOOD-OAKLAND CONSERVATION AREA, adopted January 23, 1990, attached hereto as Exhibit C ("DUR Designation Resolution").

Under the Urban Renewal Consolidation Act, following designation of an area as a Conservation Area and upon nomination by the Department of Urban Renewal, the Mayor of the City of Chicago is to appoint a Community Conservation Council from among the residents of the area (Ill. Rev. Stat. ch. 67-1/2, Section 91.121), a process that has recently been initiated with respect to the Conservation Area. (Staff Report of Department of Urban Renewal, October 16, 1990, attached hereto as Exhibit D.) Following approval of a conservation plan for the area by the Community Conservation Council and the City Council, the Department of Urban Renewal certifies the plan and may thereafter exercise numerous powers granted to it under the Urban Renewal Consolidation Act to carry out the plan. (Ill. Rev. Stat. ch. 67-1/2, Section 91.120-91.123.)

D. Community Planning Process.

Prior to the designation of the Area as a Community Conservation Area, the Department of Planning of the City of Chicago, in July 1988, began to coordinate a planning process for the North Kenwood-Oakland Area. The purpose of the planning process was "to prepare a land-use plan and action statement which reflects the aspirations of community residents for the future of the community and which would serve as a guide for future public action and private investment."^{5/}

^{5/} Neighborhood Planning Committee Report, North Kenwood-Oakland Neighborhood Planning Process, produced by the City of Chicago, Department of Planning, attached hereto as Exhibit E ("NPC Report"), page 1.

In July 1988, a Neighborhood Planning Committee ("NPC") was formed whose membership included residents, property owners, merchants and representatives of local community organizations and institutions. (NPC Report, p. 7.) Over 200 persons participated on the NPC, approximately 75 of whom formed a stable, working group. (Id.)

The first step of the planning process was to generate a set of overall goals and objectives, identifying what the community wanted to achieve. The NPC then identified the key issues facing the neighborhood and the obstacles to achieving the community's goals. Finally, the NPC generated a set of potential strategies and a list of resources available to assist the neighborhood in assessing the key issues. (Id.)

After a two-day workshop, three teams were formed (Housing, Economic Development, and Open Space/Community Facilities) and each team prepared a land-use map for its functional area. City of Chicago staff then prepared a summary map of the three sets of recommendations. A final land-use map was then reviewed by the full committee and approved in March 1989. (Id., pp. 7-8.)

The NPC recommendations respecting housing included the following:

"To [redacted] that public housing continues to exist (preferably as scattered-site development)." (NPC Report 10.)

The NPC listed key issues included the following:

"Public Housing/CHA Lakefront Properties -- The presence of the Chicago Housing Authority (CHA) Lakefront Properties and the negative image of public housing deters investment in the community both by existing homeowners who are reluctant to maintain their property and by outside developers who are reluctant to

invest in new development." (Id., p. 12.)

"Market Conditions -- Investment in new commercial development is deterred by the concentration of public housing. . ." (Id., p. 13.)

In its "Development Guidelines" the NPC Report states:

"View corridors to the lake should be preserved. No high rise development should occur on the lakefront. In the event that the CHA Lakefront Property becomes available, new residential construction on the site should be limited to three stories." (Id., p. 25.)

E. Illinois Housing Development Authority Planning Process

The Illinois Housing Development Authority, a public body (Ill. Rev. Stat., ch. 67-1/2, Section 301 et seq.) also initiated a planning process for the North Kenwood-Oakland Area. (Resolution No. 87-IHDA-140, attached hereto as Exhibit F.) The IHDA/Skidmore Plan (Exhibit A hereto) was the result. The Plan states that it seeks "to restore and preserve the neighborhood character of the area." (Exhibit A, p. 1.) It also states that it is based on the commitment:

"that no habitable low-rise housing units will be torn down and that prior to the demolition of any CHA high-rise building the single-family/ townhouse replacement units for that building will be built and occupied." (Id.)

The Plan includes the following component:

"... demolition of 4 of the 6 vacant public housing high-rise buildings in order to provide new low-rise, neighborhood homes for CHA residents on the lakefront as well as assimilated throughout the community. . ." (Id., p. 1.)

Overall the IHDA/Skidmore Plan calls for both new market-rate residential units and the rehabilitation of a large number of existing occupied and unoccupied homes. (Id., pp. 1-2.) Key elements of the plan include:

- (a) Financing by IHDA of up to 400 low-moderate income new residential units.
- (b) Market rate development of an additional 850 new units.
- (c) Construction of one-for-one replacement units prior to any CHA demolition.
- (d) Rehabilitation of existing residential units. (Id., p. 2.)

The Plan states that its implementation would constitute "one of the largest and most extensive civic neighborhood urban initiatives ever undertaken in this country . . ." (Id.)

The IHDA/Skidmore plan has received a Citation for Excellence in Urban Design from the American Institute of Architects. (Id., p. 18.)

III. Prospects for the Plaintiff Class in North Kenwood-Oakland.

Implementation of the NPC/IHDA plans for the North Kenwood-Oakland Conservation Area would provide for 600 or more new scattered site public housing units for members of the plaintiff class in a community which, by reason of the projected improvements under the plans, would potentially provide both economically and racially integrated living opportunities for Gautreaux families in a residential neighborhood possessing striking amenities. (Coupled with the nearly completed rehabilitation of the two northernmost of the Lakefront Properties buildings, it would also provide adequate public housing for the return to the Area, into public housing, of those

former tenants of the six CHA high-rise buildings who desire to return and remain eligible for public housing.)

This prospect appears at a time when, by reason of the changing demography of the City of Chicago, opportunities to build scattered site housing in the City have diminished. (See the affidavit of Daniel J. Levin, as Receiver, attached hereto as Exhibit G.) Under these circumstances, it is imperative to furthering the remedial interests of the plaintiff class that the opportunity to realize the possibilities of the NPC/IHDA process for the North Kenwood-Oakland Area not be lost.

IV. Position of CHA and HUD.

CHA presently plans to rehabilitate the southernmost four of the Lakefront Properties high-rise buildings (now largely or completely vacant), and HUD is apparently willing to supply CHA with funds for that purpose. (See affidavit of Alexander Polikoff attached hereto as Exhibit H.) As indicated in Section II above, such rehabilitation would be inconsistent with the NPC/IHDA plans for the Conservation Area. Moreover, as indicated by the NPC/IHDA plans and by the affidavit of Daniel E. McLean, President of MCL Development Corporation, attached hereto as Exhibit I, rehabilitation would risk deterring the private investment which is an essential ingredient of both plans and of the revitalization of the entire Conservation Area.

Thus, it is highly likely that rehabilitation of the four Lakefront Properties high-rises will frustrate the prospect of providing hundreds of scattered site public housing units under

highly advantageous circumstances for members of the plaintiff class.^{6/}

V. Violations Asserted.

Under the circumstances set forth above, for CHA and HUD to proceed to rehabilitate the four high-rise buildings in question, and thereby risk frustration of the unique scattered site opportunity presented in the North Kenwood-Oakland Conservation Area, would be inconsistent with and a violation of CHA's Court-

6/ There is an additional question -- apart, that is, from the potential frustration of the scattered site remedial program as described in the text -- of whether it is in the best interests of the Gautreaux class for CHA and HUD to use funds that could be employed to provide further relief for plaintiffs to instead rehabilitate deteriorated, mostly vacant high-rise public housing buildings instead. Plaintiffs are informed and believe that the cost of the high-rise rehabilitation would be virtually the same (on a bedroom basis) as the cost of new low-rise scattered site public housing, and that the life-cycle costs of the high-rise units would far exceed the life cycle costs of low-rise scattered site public housing. In 1988, a mayoral-appointed advisory council on CHA, co-chaired by Philip M. Klutznick, former U. S. Secretary of Commerce, and Warren H. Bacon, then President of Chicago United, reported as follows:

"The cost to rehabilitate high-rise buildings to keep them habitable may well exceed the cost of acquiring alternate housing, which could be more suitable, particularly for family use."

"[The] problem, in addition to the large sums required for rehabilitation [of high-rise buildings], is the intense concentration of large, poor, primarily single-parent families in buildings poorly designed to support their needs."

"The funds to be used to modernize the high-rise buildings can more effectively be used to acquire older housing and construct new units."

The quotations are from The Report of the Advisory Council on the Chicago Housing Authority, June 1988, pages 19, 20 and 24.

imposed obligation to build as many scattered site units as rapidly as possible, and HUD's Consent Decree obligation to use its best efforts to aid CHA in that regard.

VI. Relief Sought.

Plaintiffs seek an order in the form attached to plaintiffs' motion that would grant the following relief:

1. Direct CHA and HUD to stay rehabilitation of the four high-rise buildings until further order of Court.

2. Direct the Receiver and CHA to cooperate in the implementation of any Community Conservation Council-approved plan for the North Kenwood-Oakland Conservation Area to the end of providing scattered-site public housing within such Area as a part of such plan.

3. If such a plan, involving scattered site public housing in lieu of rehabilitation of the four high-rise buildings, is approved within any reasonable time, consider reclassifying the entire Area as a "Revitalizing Area" under the Consent Decree in this case (see 523 F.Supp. at 674).

4. Direct the plaintiffs to keep the Court apprised of relevant developments respecting the Area by filing quarterly reports with the Court.

5. Retain jurisdiction so that any party may at any time bring relevant developments to the Court's attention and seek such further orders as may be appropriate under the circumstances.

VII. Conclusion.

Given the long and frustrating delay in providing scattered site public housing under the orders in this case, the Court should enter the order proposed by plaintiffs to assure that a unique opportunity to provide hundreds of such units under extremely favorable circumstances is not lost. The Court's retention of jurisdiction, together with the proposed reporting requirement, will assure that the stay of rehabilitation provided in the proposed order will not be inappropriately prolonged.

Respectfully submitted,

November 21, 1990


One of the Attorneys for Plaintiffs

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IN THE UNITED STATES DISTRICT COURT
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JACK KEMP, Secretary of Department of	)	
Housing and Urban Development,	)	
	)	
Defendants.	)	

**PLAINTIFFS' REPLY TO RESPONSES OF CHA AND HUD TO
PLAINTIFFS' MOTION FOR FURTHER RELIEF**

Introduction

CHA and HUD argue that the limited order plaintiffs seek is not justified by the "best efforts" clauses of the CHA judgment order (CHA) or of the consent decree (HUD). In Section I below we show that both arguments are wrong -- they are semantic, technical, and contend for a crabbed reading of remedial decrees that should be read expansively.

Moreover, both CHA and HUD ignore the "frustration principle." CHA's proposed rehabilitation threatens to frustrate an opportunity to develop 600 scattered site public housing units for Gautreaux families. In Gautreaux v. Chicago Housing Authority, 342 F.Supp. 827, 829 (1972), aff'd., 480 F2d 210 (1973), cert. denied, 414 U.S. 1144 (1974), this Court made it

clear that frustrating implementation of a court-ordered remedy ("frustrating and preventing this Court from assuring that relief is provided"; "thwart the correction of federal constitutional wrongs") will not be countenanced. In that instance the frustration emanated from someone not a party to the original suit. Here the frustration comes from original party defendants who have best-efforts duties to assist in providing corrective action. "Frustration" is incompatible with "best efforts."

But suppose the best efforts clauses should not be read to embrace the relief now sought. We also show in Section I that plaintiffs should nonetheless receive the relief they request under the "affirmative administration" clause of the CHA judgment order and the "modification" clause of the HUD consent decree. It is quite impossible to conclude that the limited relief plaintiffs seek is beyond the reach of these far-ranging clauses.

Next, CHA suggests that the Court is presented with two competitive plans and asked to choose between them, implying that CHA's plan - its MINCS experiment - would be prejudiced were the Court to grant the order plaintiffs seek. Not so. As we show in Section II below, plaintiffs strongly support MINCS and their requested order has nothing to do with that experiment, would not prejudice or interfere with it in any way, and indeed might help assure its success. Why? Because the MINCS experiment, including its proposed 564 units of private housing, involves the two high-rise buildings now being rehabilitated that are unaffected by plaintiffs' proposed order, and does not involve the rehabilitation of additional buildings. The very number, "564," is directly linked to those two unaffected buildings, and

only to those two. CHA's argument on this score is a straw man.

With these two contentions set aside, there is little left to the CHA/HUD arguments. Both defendants assert that demolition is legally impermissible. We show in Section III below that this is quite wrong. HUD also contends that a breach of CHA's accord with the former tenants of the Lakefront Properties would ensue if plaintiffs' motion were granted. This too, as we show in Section IV, is not the case.

* * *

At bottom, the situation is this:

1. After 20 years of frustration in obtaining any significant degree of the scattered site relief to which they are entitled -- frustration caused in great part by CHA -- plaintiffs are presented with what may be a golden, once-in-a-lifetime opportunity to obtain some 600 units of scattered site housing, six times as much new housing as the Receiver has been able to place under construction in over three years, and several times as much scattered site housing as CHA built in 17 years!

2. Instead of cooperating to help realize that possibility, as the best efforts and affirmative administration clauses require it to do, CHA now proposes, for reasons unfathomable to plaintiffs, to take action that may irretrievably destroy that golden opportunity.

3. The limited order plaintiffs seek -- wholly non-prejudicial to CHA's proposed MINCS experiment which plaintiffs enthusiastically support -- would merely stay that proposed

action for a reasonable time, subject to the Court's ongoing supervision, to give the Community Conservation Council bud a chance to flower, and with it some 600 scattered site units.

Surely, after 20 years, plaintiffs are entitled to cooperation rather than frustration from the two parties whose wrongful conduct harmed them in the first place.

I. The Judgment Order Against CHA And The Consent Decree Against HUD Entitle Plaintiffs To The Order They Seek.

"Best efforts" means, try hard to bring about the desired result, work toward the objective "to the extent of [one's] total capabilities." Bloor v. Falstaff Brewing Corp., 454 F.Supp. 258, 267 (S.D.N.Y. 1978), aff'd, 601 F.2d 609 (2d Cir. 1979). .

Under this Court's judgment order CHA is obliged to use its "best efforts" to increase the supply of scattered site units as rapidly as possible and to take "all steps" necessary to that end. (304 F.Supp. at 741, emphasis added.) CHA's essential argument is that this best efforts obligation relates only to the direct development of scattered site units ("the explicit obligations within the 1969 order" -- CHA Response, p. 13). Therefore, on this view, action respecting CHA's non-scattered site units, even though such action threatens to frustrate scattered site development, would not be covered.

To state the argument is to answer it. The judgment order says "all steps." The word "all" is unmodified, and is certainly not qualified as CHA now proposes to qualify it.

Were there any doubt on this point another clause of the judgment order would resolve it: CHA is to "affirmatively

administer its public housing system in every respect (whether or not covered by specific provision of this judgment order) . . ."

to disestablish its segregated system. (304 F.Supp. at 741, emphasis added). This clause plainly says "public housing system in every respect," not "scattered site public housing system," and thus embraces high-rises as well as scattered sites.

CHA argues (p. 13) that even this "every respect" language should somehow be limited so as not to refer to plaintiffs' present concerns. But the stated purpose of the "every respect" clause is "disestablishing" CHA's segregated system. The chosen disestablishment method is building scattered sites. If proposed CHA conduct respecting its high-rises frustrates the employment of that very chosen method, how could this Court responsibly say that that conduct is not one of the "every respect[s]" to which the judgment order speaks?

In like fashion, HUD would constrict its best efforts obligation to aid CHA. If we have correctly read CHA's obligation, then we have correctly stated what HUD has a best efforts duty to "aid."

But if HUD were right and we were asking the Court to stretch its best efforts clause too far, plaintiffs should still receive the very limited relief they seek from HUD as a "modification" of HUD's duty under paragraph 8.2 of the consent decree:

"At any time after the fifth anniversary of the effective date, either HUD or the plaintiffs, without the consent of the other, may request the Court to review the progress made in providing assisted housing to eligible persons hereunder and, based upon such review, to modify or terminate any or all of the rights

or obligations provided herein. The party seeking review will not be required to demonstrate changed circumstances to obtain such Court review." (523 F.Supp. at 681.)

We are nearly at the tenth anniversary, not merely the fifth. Plaintiffs are authorized, without HUD's consent, to "request the Court to review the progress made . . ." In scattered site housing the progress, as the Court well knows, is abysmal, and the Receiver's affidavit tells the Court that glory days are not just ahead. Based on such review the Court may be asked "to modify . . . obligations provided herein."

HUD says that in considering plaintiffs' present motion as such a modification request, the Court should "weigh the equities to determine the hardship on the moving party if the modification is denied and the hardship on the party opposing modification if the Court grants the relief sought. . ." (HUD Response, p. 16.) We agree.

The hardship on plaintiffs, should their motion be denied, is the likely loss of an opportunity to obtain at one fell swoop some 600 units of scattered site housing in a potentially premier residential location^{1/} -- more scattered site relief than plaintiffs have received since CHA was first ordered to build scattered sites more than 20 years ago. The hardship on HUD, should the motion be granted, lies somewhere between nil and none. HUD is merely asked to stay its funding of additional

1/ Half of the North Kenwood-Oakland area is already classified "revitalizing," and the other half would surely qualify for that classification if a conservation plan for the entire area were approved.

rehabilitation for a reasonable time -- to give the community planning process a chance to work rather than be confronted with a fait accompli that may forever preclude scattered site housing as part of its plan. HUD has not even argued that such a limited order would visit a hardship upon it.

* * *

If plaintiffs' request is justified on the merits, the judgment order against CHA and the consent decree against HUD thus clothe the Court with ample authority to grant the order plaintiffs seek. We turn to the merits arguments.

II. The Order Plaintiffs Seek Does Not Affect Or Prejudice CHA's Proposed MINCS Experiment In Any Way.

CHA argues that under its proposed MINCS experiment it strives for beneficial goals, and that the Court should not interfere. We agree. The trouble with this argument, when directed against plaintiffs' proposed order, is that the order would not interfere with or prejudice MINCS in any way.

MINCS,^{2/} an experiment we enthusiastically support, has three essential components. First, "newly constructed or rehabilitated housing units that are privately developed and owned." (§522(e)(1).) Second, once developed, up to 25% of the private units may be leased by CHA on behalf of CHA families.

2/ MINCS is an acronym for "Mixed Income New Communities Strategy." It was enacted in 1990 as Section 522 of the National Affordable Housing Act of 1990, Public Law 101-625, 104 Stat. 4079. Citations in the text are to Section 522 as printed in the Congressional Record of October 22, 1990, pp. H11556-558.

(§522(e)(5).) Third, CHA may then rent the public housing units thus vacated to families having somewhat higher incomes than the usual public housing tenants.^{3/} However, not more than 50% of a public housing project's units may be rented to such families. (§522(f)(2)(B).)

According to CHA the two Lakefront Properties buildings now being rehabilitated will have exactly 282 units when completed. If the maximum permissible 50% of these units were used in CHA's MINCS experiment, that would be 141 units. Since the 141 CHA families to be moved into newly developed private MINCS housing cannot occupy more than 25% of the total number of private development units, that development must have four times 141 units, or a total of 564 units. This is of course the exact number of units CHA says an unnamed developer has agreed "in principle" to build as the private housing part of MINCS. (CHA Response, p. 8.) Because the number is exactly 564, not 500 or 600, or some other number, we can be sure that this MINCS experiment involves the two buildings -- and only the two -- that CHA is now rehabilitating. Since these buildings would be unaffected by plaintiffs' proposed order, nothing in that order would prejudice or negatively affect CHA's proposed MINCS experiment.

Indeed, the community planning process CHA seems bent on

3/ "Low-income families" rather than "very low-income families." (§522(f)(1).) The former may have incomes up to 80% of the metropolitan area median; incomes of the latter may not exceed 50% of the median. (CHA Response, p. 6.)

ignoring is likely to be helpful in assuring -- and may be essential to -- the success of the MINCS experiment.

Notwithstanding CHA's assertion, MINCS is not "ready for implementation." (p. 18.) CHA is not even eligible to conduct a MINCS experiment until the Mayor of Chicago appoints a twelve-member coordinating committee to "participate in developing a plan for implementing the [MINCS] demonstration program," and to perform other functions. (§§522(b)(1),(2).) CHA does not say that the required coordinating committee has yet been appointed by the Mayor (our information is that it has not), the same Mayor, not so incidentally, who has just received from his Department of Urban Renewal the formal nomination of the members of the Conservation Community Council for the North Kenwood-Oakland Conservation Area.^{4/}

Moreover, even after the coordinating committee is appointed and performs its various functions, the following must be complied with:

"A participating [in MINCS] public housing agency and the applicable unit of general local government shall jointly determine the location of any newly constructed or rehabilitated housing to be utilized under the [MINCS] demonstration program . . . and the number of units to be developed annually, with approval of the legislative body of the local government."
(§522(e)(7)(A).)

In other words, CHA's MINCS experiment will not be "ready for implementation" until the coordinating committee (having been

4/ On December 18, 1990, the Department of Urban Renewal formally nominated 15 community residents as members of the North Kenwood-Oakland Conservation Community Council. Excerpts from the December 18 meeting of the Urban Renewal Board are attached as Exhibit A.

appointed) does its work, and the City of Chicago, including the City Council, approves the number and location of the to-be-developed private housing units which are an essential part of MINCS.

Will a City government which is fostering a community planning process (through staff work of the Departments of Planning and Housing, nominations by the Department of Urban Renewal, and appointments by the Mayor) that has so far evidenced a clear preference for scattered sites rather than high-rise units, foster a separate process that looks in precisely the opposite direction?

On the other hand, MINCS would be strengthened by a successful community process. Some 423 units in the private housing part of the MINCS experiment (564 minus 141) must be occupied by non-public housing families.^{5/} How much more likely are these units to be attractive to market-rate families if they are part of a comprehensive, community-wide plan which involves other market-rate units as well, and which assures that low-rise scattered public housing units will replace the present "curtain wall" of six high-rise towers?

In short, although plaintiffs have not been able to discern the reasons for CHA's uncooperative stance, it seems clear that CHA's own MINCS interests are not only not prejudiced by the

5/ These non-public housing, market-rate families constitute the true "mixed income" potential of a MINCS experiment, for the public housing units - even under MINCS - continue to be occupied exclusively by lower-income families, none of whose incomes can exceed 80% (and only half of whose incomes can exceed 50%) of the area median.

order plaintiffs seek but, by leading to cooperation with a comprehensive community planning process, would be advanced by it.

III. Demolition Of The Southern Four Lakefront Properties High-Rises Could Be Done Lawfully.

CHA and HUD argue that the relief plaintiffs seek hinges on whether the four Lakefront Properties high-rises can be lawfully demolished. While plaintiffs' motion does not seek demolition, plaintiffs agree that demolition of the four southernmost Lakefront Properties high-rises may in the future be necessary to carry out a community plan. However, with the cooperation of CHA and HUD, demolition could be accomplished entirely within existing statutory and administrative requirements.

First, HUD and CHA mistakenly argue that the standard for demolition is to be found in the first phrase of 42 U.S.C. §1437p(a)(1). But the appropriate standard here is the second phrase of that statute, which applies to the demolition of a portion of a housing project:

" . . . in the case of an application proposing the demolition of only a portion of a project, the demolition will help to assure the useful life of the remaining portion of the project." (42 U.S.C. §1437p(a)(1) (emphasis added)).

HUD's regulations specifying the criteria for demolition of a portion of a project similarly state:

"(b) In the case of demolition of only a portion of a project, the demolition will help to assure the useful life of the remaining portion of the project (e.g., to reduce project density)." (24 C.F.R. §970.6(b).)

HUD recently invoked exactly this "useful life" provision to support demolition of three public housing high-rises to be replaced by scattered site housing. Project B.A.S.I.C. v. Kemp, 721 F. Supp. 1501 (D.R.I. 1989). Accepting HUD's arguments, the Court noted that the law "merely requires that if only a portion of a project will be demolished, 'the demolition will help to assure the useful life of the remaining portion of the project.'" 721 F. Supp. at 1509. One argument advanced, which the court termed "sensible," was that "without the three towers as a detrimental catalyst," the environment and quality of life for the remaining households would be enhanced. Id., at 1510.

Demolition has also been approved by a federal court as a "recognized, legitimate" part of a desegregation remedy, notwithstanding objections by several hundred plaintiff class members. Walker v. HUD, 734 F.Supp. 1231, 1270 (N.D. Tex. 1989). Accepting the plaintiffs view that rehabilitation would leave vestiges of segregation in place, the court said rehabilitation would

"continue to subject several thousand members of the class to the same choice of all black housing in an all black area as they were subjected to under de jure segregation. . . [and would] not cure the vestige of the adverse social and environmental conditions caused by the concentration of such a large number of low income housing units in this particular area, which is also a low income impacted neighborhood." 734 F.Supp. at 1270.^{6/}

6/ CHA's proposed rehabilitation of an additional (third) building is apparently on a "Fix-As-Is" basis that excludes design changes evidently deemed desirable but too costly. As to this CHA's consultant says, among other things,

CHA also argues (p. 17) that demolition could not be accomplished lawfully because, lacking separate appropriated funds to replace demolished housing units, it could not submit a plan for the one-for-one replacement required by 42 U.S.C. § 1437p(b)(3). This argument is clearly unsupportable. Nothing in the statute requires funds to be appropriated before a demolition plan is developed, submitted or even approved. In fact, 42 U.S.C. § 1437p(c) authorizes HUD to "make available financial assistance for applications approved under this section," and requires HUD "upon approving a plan under subsection (b)(3). . . [to] agree to commit (subject to the availability of future appropriations) the funds necessary to carry out the plan" HUD is also required, in allocating assistance for the development of public housing, to "give consideration to housing that replaces demolished public housing units in accordance with a plan under subsection (b)(3). . . ." Id. Thus, a demolition application plan clearly does not require the prior appropriation of funds.

...Continued...

- "The exposed galleries [of the third building] are a life quality, building maintenance and aesthetic failure."
- "The present two-elevator system is not adequate for demand."
- "The building exterior and interior circulation pattern seriously limit quality of life for occupants as well as appearance in the marketplace."

(Consultant Reports supplied by CHA and referred to in ¶3 of Exhibit 5 to CHA Response.)

CHA's related argument that Gautreaux funds could not be used for the replacement scattered site units is also wrong. Nothing in Gautreaux orders prohibits using allotted funds to build scattered site units simply because they would replace units of a demolished high-rise. The Gautreaux definition of "dwelling units" applies fully as much to scattered site units built to replace a demolished high-rise as to any other scattered site units. The Receiver currently has funding for more than the maximum of 600 hundred units that would be needed to replace any Lakefront Properties demolished units.7/

Finally, CHA adds that it would be required to consult with affected tenants, tenant organizations and local officials before demolition. Such a requirement does not of course indicate that lawful demolition would not be possible.

Plainly, demolition of one or more of the Lakefront Properties high-rises, if necessary to accomplish a community plan for Kenwood-Oakland, could be lawfully done.

7/ HUD and CHA both imply that money available for rehabilitation of Lakefront Properties high-rises might be lost if not used there. (Though CHA "intends" to rehabilitate all of the Lakefront Properties high-rises -- HUD Response, p. 7. -- funds have so far been allocated for only the first of the remaining buildings.) In fact, CHA has desperate rehabilitation needs throughout its family public housing system. With a waiting list of many thousands, vacancies in CHA's family public housing projects (according to information supplied by CHA) exceed 5,000! There can be no question but that, if they wished to do so, HUD and CHA could find other rehabilitation uses for Lakefront Properties rehabilitation dollars.

IV. The Memorandum Of Accord Does Not Bar The Relief Plaintiffs Seek.

It is clear that the relief to which members of the plaintiff class in a desegregation case have been determined to be entitled is not subject to withdrawal or curtailment because some members of the class would prefer something different.^{8/} Thus, it would not matter if, as HUD asserts, the order plaintiffs seek would "abrogate" (HUD Response, p. 16) CHA's accord with former Lakefront Properties tenants.

But HUD has made no showing that that will happen. It has offered no figures concerning how many of the original approximately 600 tenant families are still eligible to return to the high-rises. The Memorandum of Accord lists a number of circumstances under which tenants would not be eligible to return: (1) no longer eligible for CHA because of income or family composition; (2) prior to moving out were subject to a court eviction order; (3) were evicted for cause or lease violation during the period of relocation; (4) committed acts while relocated constituting a threat to CHA tenants or employees; and (5) left owing rent and had failed to resolve the arrearage. (¶6, Memorandum of Accord.) (With respect to the final circumstance alone, a CHA memorandum attached to the Memorandum of Accord states that approximately 118 families were

8/ Constitutional rights are not subject to majority vote, Haney v. County Board of Education of Sevier County, Ark., 410 F.2d 920, 925, 926 (8th Cir. 1969), nor are remedies in class action litigation where "there will almost inevitably be dissent within a class of litigants." League of Martin v. City of Milwaukee, 588 F.Supp. 1004, 1023 (D.C.E.D. Wisc. 1984). See also, Walker v. HUD, supra, 734 F.Supp. at 1265.

then in arrears in rent.)

Nor has HUD offered figures as to how many families have elected to permanently relocate under the Section 8 program (§7, Memorandum of Accord), nor how many, having sought in 1986 a right to return to the high-rises, might now prefer the option -- not then available -- of scattered-site, single-family townhouses in the same neighborhood.

Absent a showing as to how many families are eligible for and still desire to move back to the Lakefront Properties high-rises, and that all of those could not be housed in the 282 apartments being rehabilitated, HUD has advanced no basis to assert that the relief plaintiffs seek will have any effect on CHA's ability to comply with the Memorandum of Accord, let alone that that consideration should be decisive.

Conclusion

Vincent Lane has been a breath of fresh air at CHA and plaintiffs have been happy to cooperate with him. We have not opposed CHA's plan to get back into development activities. (Order of March 9, 1990.) We have not only worked with CHA to foster private management, but have arranged with HUD to have \$9.5 million made available to CHA to repair deteriorated scattered site units as part of the preparation for private management. (Order of May 24, 1990.) We do not gladly or lightly place ourselves on opposite sides of the present issue.

But, unlike these other occasions, we have not been able on the present matter to engage CHA in meaningful dialogue. Nor

have we been able to discern the reasons for CHA's intransigence, seemingly so contrary to its own MINCS interests.

What plaintiffs do know is that their own golden opportunity for 600 scattered site units is at stake, an opportunity they must seek to protect. CHA is right in noting that this is but an opportunity, a chance; it is not a certainty. But it is certain that the chance will be prejudiced, possibly snuffed out, if CHA is allowed to proceed to rehabilitate yet more Lakefront Properties high rises. (Neither CHA nor HUD seriously contest plaintiffs' point, Exhibit I, in this regard.) After 20 years of scattered site frustration, surely plaintiffs are entitled not to have CHA prejudice that chance without compelling reason to do so. Here, we have not been presented with any such compelling reason; indeed, analysis suggests that the order plaintiffs seek is really in CHA's own MINCS interest.

Plaintiffs' proposed order is very narrowly drawn. Under the continuing jurisdiction of the Court, which could release its stay at any time suitable progress was not being shown (quarterly reports are proposed to keep the Court advised), plaintiffs seek only a reasonable time for the community planning process to proceed free of the prejudicial impact of six public housing high-rises towering above a community that could otherwise become a residential haven for 600 Gautreaux families.

Neither CHA nor HUD has shown why plaintiffs should not, after 20 years of frustration, have the benefit of that golden opportunity.

Respectfully submitted,

January 22, 1991


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CERTIFICATE OF SERVICE

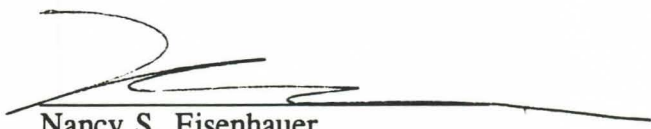
I, Nancy S. Eisenhauer, counsel for the CHICAGO HOUSING AUTHORITY, hereby certify that on Tuesday, September 30, 1997, I caused a copy of MEMORANDUM IN SUPPORT OF CHICAGO HOUSING AUTHORITY'S EMERGENCY MOTION TO CLARIFY INJUNCTION to be served via hand delivery on counsel listed below:

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MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURT

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

DOROTHY GAUTREAUX, et al.,	)	
	)	
Plaintiffs,	)	66 C 1459
	)	
v.	)	
	)	Hon. Marvin E. Aspen
CHICAGO HOUSING AUTHORITY,	)	
	)	
Defendant.	)	

REPLY MEMORANDUM IN SUPPORT OF
CHA'S EMERGENCY MOTION TO CLARIFY INJUNCTION,
AND RESPONSE TO RECEIVER'S STATEMENT

This Reply Memorandum responds to each of Parts I through IV of the Plaintiffs' Response to CHA Emergency Motion to Clarify Injunction (the "Response").

I. There Is No Need To "Clarify" The Motion.

The Chicago Housing Authority's Emergency Motion To Clarify Injunction (the "Motion") asks the Court to declare that the Injunction, properly interpreted, does not apply to replacement public housing units funded under HOPE VI. The CHA basically is asking the Court for a determination that the Injunction does not bar the CHA from applying for HOPE VI funds, as it has been doing for the past three years, and using those funds, as it is about to, in accordance with the terms and conditions of HOPE VI neighborhood revitalization programs approved by HUD.

**A. Neither The CHA Nor Plaintiffs
Have Moved To Modify The Injunction.**

The plaintiffs seek to "clarify" the issue in order to introduce issues that would only be relevant to a motion to modify the Injunction, such as whether the plaintiffs have received

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“full relief” for the constitutional violation adjudicated in 1968, or whether the “principal objectives” of the Injunction have been met. Response at 11-17. They seek to “clarify” the issue raised by the Motion, and assert that “the issue is whether CHA advances any persuasive reason for removing [HOPE VI-funded units] from the coverage of the judgment order. . . .” Response at 3. The CHA has not asked the Court to remove HOPE VI-funded units from the coverage of the Injunction, and it has no burden of persuading the Court that the coverage of the Injunction should be changed. Despite plaintiffs’ wish to have the Court treat the Motion as a motion to modify, (Response at 3 n.1, 17), the Motion seeks an interpretation -- not a modification -- of the Injunction.

Plaintiffs also want to avoid the burden of filing their own motion to modify and proving the grounds for modification recently set forth by this Court in its opinion on Section 8 certificates. See Gautreaux, et al. v. CHA, et al., 1997 U.S. Dist. LEXIS 12924, *5-*8 (N.D. Ill. Aug. 26, 1997) (attached to Memorandum In Support Of The Chicago Housing Authority’s Emergency Motion To Clarify Injunction (the “Memorandum”) as Exhibit A). They argue that if the Court accepts the CHA’s interpretation that HOPE VI-funded units are beyond the scope of the Injunction, but agrees that the plaintiffs nevertheless are entitled to such additional relief, then (1) the Court has the inherent power to adjust the remedy under the current Injunction, (Response at 13-16), or (2) the Court could treat the Response as plaintiffs’ motion to modify the Injunction.¹ Response at 17. Before any modification of the Injunction is considered, it must

¹ Plaintiffs want the Court to treat the Response as a Motion to Modify only if the Court agrees with plaintiffs that they should win such a motion: “Should the Court be of the view that such housing is to be treated as a new and further remedy not presently covered by the judgment order, we request that Part III of this Response be accepted as plaintiffs’ motion for such an
(continued...)

first be decided whether a modification is necessary. This will be determined, one way or the other, by the Court's ruling on the Motion. The plaintiffs' effort to interject irrelevant issues should be rejected.

B. The Funding Source of New Construction Is Critical.

The plaintiffs argue that the CHA has improperly framed the issue as "whether the judgment order against CHA govern[s] HOPE VI funding and programs," (Response at 1), and that the correct issue is whether the construction of replacement units is covered by the Injunction. The plaintiffs propose that the applicability of the Injunction to the construction of new units does not turn on the particular HUD funding stream employed; that the construction of new units is expressly covered by the Injunction; and that the analysis ends there. Response at 3. In other words, plaintiffs want to separate out one part of a fully integrated, complex HOPE VI program and subject it to a set of rules that are inherently inconsistent with the programmatic requirements and goals of the program; and they see no adverse impact resulting from this.

The source of funding of the new units is HOPE VI and its requirements and goals must be considered in determining the scope of the Injunction. The HOPE VI program is designed to create viable neighborhoods through community-based rehabilitation and reconstruction projects where distressed housing is located, by (1) demolishing the worst buildings that economically cannot be rehabilitated; (2) creating mixed-income replacement housing; (3) requiring one-third of the demolished housing units to be replaced by Section 8 certificates; (4) requiring consideration of the preferences of public housing tenants; (5) allowing tenants to

¹(...continued)

exercise of the Court's equity power." Response at 17. They do not want to risk losing such a motion on the basis of the record they have made.

choose where they want to live; (6) requiring local government economic support of the program; (7) permitting the concurrent use of funding for community-based housing redevelopment and reconstruction of public housing provided under the Housing and Community Development Act of 1992, 42 U.S.C. § 5301 et seq.; and (8) providing substantial funds (20% of the grant plus 15% of that amount contributed by the City) for a community services program that has been approved by the Commission on National and Community Services, and for supportive services such as job training services. See HOPE VI and HUD HOPE VI Handbook (Attached to Memorandum as Exhibit B).

This is the public housing program that Congress is willing to fund. The construction of replacement housing is one part of Congress' complex solution for the poorest neighborhoods -- neighborhoods that are economically and socially isolated and contain severely distressed, high-density public housing. HOPE VI focuses on neighborhoods.² In contrast, the Injunction does not purport to provide a remedy for these neighborhoods located in Limited Areas. It provided for just the opposite: the creation of new scattered-site public housing in General Areas, originally on a three to one ratio, outside of the very neighborhoods that Congress

² This focus on specific neighborhoods is ignored by the plaintiffs throughout their Response, but it is critically important and cannot be denied. For example, as noted in 42 U.S.C. § 1437f (attached to the Memorandum as Exhibit B):

Pub. L. 102-389, Title II, Oct. 6, 1992, 106 Stat. 1579 provides . . . \$300,000,000 shall be for grants to carry out an urban revitalization demonstration program involving major reconstruction of severely distressed or obsolete public housing projects, to be administered by local public housing agencies: Provided, That such funding shall be made available to up to 15 cities. . . ; Provided further, That no more than \$50,000,000 shall be provided to each participating municipality; Provided further, That no more than 500 units shall be funded for each participating city and such units shall be located in up to 3 separately defined areas containing the community's most severely distressed projects, including family high-rise programs . . . (emphasis added).

wants revitalized through its series of HOPE VI programs. The Injunction and HOPE VI cannot both govern the CHA's HOPE VI projects. Removing one part of the program and subjecting it to the locational requirements of the Injunction would destroy the entire HOPE VI program.³

II. The Injunction, Properly Interpreted, Does Not Apply to HOPE VI-Funded Public Housing Units.

The CHA's position is that the Injunction applies to newly constructed units that add to the CHA's aggregate housing stock, and does not apply to replacement housing funded under a new federal program, initiated by Congress decades after the Injunction issued, and targeted at addressing the deterioration of large, public housing projects. Memorandum at 13-17. Plaintiffs would look only to one provision of the Injunction, the definition of "Dwelling Unit," defined as any unit of housing initially made available for occupancy after the entry of the Injunction, and to the absence of any provision that refers to "replacement" housing. Response at 2-3. Based on the theory that all newly-constructed public housing is the same, the plaintiffs end their inquiry and conclude that HOPE VI-funded units, being new construction, are covered by the Injunction. Response at 3.

³ Plaintiffs are clearly wrong in contending that there is no such inconsistency between the Injunction and HOPE VI because (1) HOPE VI has no locational requirements so that the CHA could choose to submit a plan that included building 50% of the new units in General Areas (Response at 4), or (2) the CHA could get a waiver of the Injunction's proscriptions in order to construct new units in Limited Areas. Response at 5-6. HOPE VI has clear locational requirements, see supra note 2, and any waiver process subjects the CHA to negotiating the contours and details of the entire program with the plaintiffs, who would seek to fashion the program so that it promotes their goal of integration. The plaintiffs' goal of achieving integration of public housing tenants in General Areas is absolutely inconsistent with the HOPE VI program that promotes both economic and racial integration through the revitalization of inner city neighborhoods. The Injunction should be looked at for what it requires and prohibits, not what could possibly happen if the CHA applied for a waiver of the Injunction. Plaintiffs' suggestion that a wavier could solve the problem merely highlights the fact that HOPE VI is inconsistent with the Injunction's locational restrictions.

The CHA does not disagree that a "Dwelling Unit" is a public housing unit made available for occupancy after the entry of the Injunction, and that HOPE VI-funded units, being made available for occupancy 30 years later, would come within the definition. But that only begins the inquiry as to the proper interpretation of the Injunction. Newly constructed housing units are treated differently by the local public housing agencies and the federal government: if the unit adds to an authority's housing stock, it is considered "new" housing; but if the unit replaces existing housing stock, it is considered "replacement" housing.⁴ HOPE VI deals exclusively with replacement housing, and even more specifically, with replacement housing built for a specific purpose.

The plaintiffs contend that there is no distinction between new and replacement housing. The absence in the Injunction of a reference to replacement housing is understandable; in 1969 replacement housing was not an issue. It is undisputed that the Injunction's remedy is to require the building of new units that would add to the CHA's 1969 public housing stock, and leaves the modernization and rehabilitation of pre-1969 public housing to the CHA. The Injunction does not directly answer the question of whether it covers or leaves to the CHA replacement of demolished public housing funded under a new federal law that focuses on the revival of neighborhoods, isolated in poverty and suffering from extremely distressed, high-density public

⁴ Many funding decisions depend on the size of a housing authority's aggregate housing stock, and the authority's competency record with regard to its aggregate housing stock. See 42 U.S.C. §§ 1437l(d)-(p), 1437p. For example, the criteria for receiving federal funding to add to or to demolish aggregate units of housing stock is distinct from the criteria that a housing authority must meet to receive funding to revitalize or rebuild its aggregate housing stock, and Congress each year specifies the amount of money available for these different tasks. See 42 U.S.C. §§ 1437b, 1437c, 1437l, 1437p.

housing. For this reason, the Injunction requires an interpretation to determine whether it prohibits the CHA from participating in this new federally-funded program.

The answer depends on analysis of the factors that courts take into account in interpreting injunctions, including the intent of the drafter of the injunction, and the history of its enforcement. These factors support the CHA's interpretation of the Injunction.

A. The Drafter's Intent.

The CHA's Memorandum demonstrates that Judge Austin, in crafting the Injunction, attempted to desegregate Chicago's public housing by forcing the CHA to increase the housing stock in the General Area, and not by requiring the destruction or the retirement over time of the housing stock in the Limited Areas, as he could have, or barring the CHA from receiving federal funding, as he was specifically requested to do by the plaintiffs. See Memorandum at 13-16.

The plaintiffs argue that the intent of the drafter of the Injunction is not relevant in interpreting the scope of relief provided under the Injunction: "The judgment order is not a consent decree to be construed or 'interpreted' as a bargain between parties . . . it is a remedial desegregation order entered after an adjudication of liability." Response at 10. This argument has been squarely rejected in this Circuit. Both parties cite to Youakim v. McDonald, 71 F.3d 1274, 1283 (7th Cir. 1995), for the proposition that injunctions, "like other disputed writings, are to be construed in their proper context. . . ." Memorandum at 15; Response at 9 n.8. The injunction being interpreted in Youakim was a judgment order -- not a consent decree, 71 F.3d at 1283, and the goal in interpreting an injunction is to determine the intent of its drafter. See Florida East Coast Ry. Co. v. CSX Transp., Inc., 42 F.3d 1125, 1129-30 (7th Cir. 1994). Clearly

injunctions that result from adjudications are subject to judicial interpretation in the same way as consent decree judgments.

B. History of Enforcement.

The history of the enforcement of the Injunction, set forth in the CHA's Memorandum at 12-13, demonstrates not only the existence of a relevant distinction between development funding and modernization funding (such as HOPE VI), but also that the Injunction itself has been interpreted as respecting and even adopting that distinction.

(1) Federal Public Housing Regulatory Scheme.

It is the source of funding for any particular public housing project that distinguishes new from replacement housing. Compare 42 U.S.C. §§ 1437b, 1437c, 1437l, 1437p. A housing authority that has been granted funding for a particular purpose under a specific program cannot use that funding for any other purpose; the funds must be used in accordance with the terms and conditions of the program. Plaintiffs' assertion that "newly developed public housing, whatever its manner of development or source of funding" is all just "good, old, familiar public housing," (Response at 3, 4, 5) entirely ignores the regulatory scheme in which the Injunction has been enforced in the last two decades.

It also ignores the political fact that in 1969 the Congressional policy was to add to the nation's aggregate public housing stock, and today Congress has determined that it will not fund any increases to the existing public housing stock. See Plaintiffs' Motion To Modify, filed March 21, 1997, ¶ 4 ("virtually no new incremental funding for public housing construction is being provided by Congress").

Finally, plaintiffs' argument ignores the momentous change in the development of public housing that HOPE VI was intended to provide. As the HOPE VI Guidebook states:

HOPE VI was originally conceived as a demonstration program which would promote fundamental changes in the way PHAs developed and administered public housing, and in the way HUD related to those PHAs. Its purpose was and remains to revitalize severely distressed or obsolete public housing developments. HOPE VI is a key ingredient in the Department of Housing and Urban Development's Transformation of Public Housing efforts.

Exhibit B at 1.A.1, attached to Memorandum. There is no such thing as good old public housing that has existed unchanged from 1969.

(2) Prior Waivers

Plaintiffs also argue that two past waivers of the Injunction jointly sought by the parties in conjunction with the building of replacement units at Horner and Lawndale, demonstrate that the Injunction "covers" the building of replacement housing in Limited Areas. Response at 5, 8-9. Plaintiffs' reasoning is flawed. At the time the waivers were sought, the issue was not whether the Injunction covered the building of replacement housing in Limited Areas. The Lawndale units were built with "development" funds. Congress did not subject development funds to the same restrictions that it has now placed on HOPE VI funds. The development funds used at Lawndale could have been used to build scattered-site housing. Indeed the terms of the Injunction required the CHA to use those funds to build scattered-site housing. Because of the Injunction, the CHA had to seek a waiver (to which plaintiffs agreed) to use, in a Limited Area, funds that were otherwise available for scattered-site housing.

HOPE VI funds are not "otherwise available" for scattered-site housing. Such funds are made available only for specific, approved projects and no diversion of money from the

scattered-site housing program to the rehabilitation/reconstruction projects is required. The CHA does not have to seek a diversion of funds intended for building units in the General Areas, and, therefore, a waiver of the terms of the Injunction with regard to HOPE VI funding would not be necessary.⁵ No agreement among the parties and no order of this Court can alter the restrictions that Congress has placed on the use of HOPE VI funds. See Alliance To End Repression v. City of Chicago, 742 F.2d 1007, 1019 (7th Cir. 1984); Mobil Oil Corp. v. Higginbotham, 436 U.S. 618, 625-26, 98 S. Ct. 2010, 2015 (1978). Plaintiffs' disagreement is with Congress's limitations on HOPE VI funding, not with the CHA. Cf. United States v. Board of Educ. of the City of Chicago, 11 F.3d 668 (7th Cir. 1993).

(3) **Gautreaux v. Romney**

The Memorandum refers to the Seventh Circuit's past treatment of a specially-funded program similar to HOPE VI, the Model Cities Program, in Gautreaux v. Romney, 457 F.2d 124 (7th Cir. 1992). Memorandum at 13 n.9. Plaintiffs' response is that Model Cities funds were not used to build new housing. Response at 6 n.5. This is irrelevant to the import of Romney.

In Romney, the Gautreaux plaintiffs sought to bar HUD from releasing (i.e., the CHA from using) Model Cities funds. Those funds had been awarded to the CHA by HUD, and

⁵ Plaintiffs also argue that "[i]t would indeed be a novel application of equitable principles if defendant could avoid remedial obligations simply by changing the form of their programs." Response at 4 n.3. HOPE VI is not a CHA program. It is a federal program. Most local housing authorities' "programs" are defined by federal programs. Without federal funding, and compliance with the requirements of the federal programs, there would be no local public housing programs. The CHA has not changed its program from building scattered-site units in General Areas to building replacement units in Limited Areas. The first program is no longer being funded by Congress. Only the new program is being funded.

HUD was prepared to release \$26,000,000 to the CHA for use in accordance with the Model Cities legislation. Plaintiffs attempted to stop the release of funds to the CHA, arguing that the funds should not be released until the CHA came into compliance with (or at least into better compliance with) the Injunction. The Seventh Circuit ruled against the plaintiffs on the ground that the CHA's participation in a national demonstration program could not be conditioned on compliance with the Injunction, where the Injunction was designed to remedy a harm not related to the implementation of the demonstration program: "The District Court here proceeded [in enjoining the Model Cities Program] as though HUD, in some court proceeding, had been found guilty of some wrongdoing in administering the Model Cities Program in Chicago. This, of course, is not the case." Id. at 127.

Nor is it this case. No wrongdoing is associated with HOPE VI. HOPE VI, like the Model Cities Program, is a demonstration program created by Congress as an experiment in revitalizing certain urban neighborhoods, including in the case of Chicago, the neighborhoods in which the Robert Taylor Homes are located. As in Romney, the CHA's ability to participate in the HOPE VI program should not be conditioned on compliance with the Injunction, when the Injunction and HOPE VI were designed to remedy different harms.⁶

The plaintiffs have not sought to enjoin CHA's participation in the HOPE VI program or from spending any HOPE VI funds in a manner that does not accord with the

⁶ The harm resulting from the unconstitutional conduct of the CHA to which the Injunction was directed was the lack of opportunity for African Americans to reside in public housing in the General Areas. The remedy fashioned by Judge Austin was to require substantial new building in General Areas. HOPE VI's goal is to remedy conditions that did not exist in 1968 but that now exist in neighborhoods that have a concentration of poverty and high density public housing -- public housing that is no longer economically viable and which, under new federal rules, has to be demolished and replaced, rather than rehabilitated.

Injunction.⁷ However, the reality of the situation is the same as in Romney. The CHA cannot participate in HOPE VI and comply with the Injunction at the same time. The plaintiffs disingenuously claim that because HOPE VI has no locational requirements, the CHA could apply for a HOPE VI program that meets the terms of the Injunction (50% new units in General Areas).

Response at 20.

This ignores the requirement that HOPE VI programs concentrate on neighborhoods, as well as the highly competitive nature of HOPE VI. It is a voluntary program in which housing authorities compete for funding that is awarded based on the quality of the programs proposed by the authorities. The remedial scheme of the Injunction is so inconsistent with the programmatic requirements of the HOPE VI program that any application that provided for locating 50% of the units in General Areas would not meet HOPE VI requirements. The plaintiffs may not have filed a motion to enjoin the CHA's use of HOPE VI funds, but they are seeking the functional equivalent of such an injunction.

(4) Plaintiffs' Own Actions

The Memorandum pointed to certain actions of the plaintiffs that the CHA argued were consistent with its interpretation of the Injunction. Memorandum at 16-18. Plaintiffs disagree with the CHA's description of their conduct. Response at 5-8. The CHA stands by its version of the events as described in the Memorandum. Response at 7 n.6. However, the Motion does not require resolving factual disputes.

⁷ Of course, the Injunction, entered only a few months after the enactment of the Fair Housing Act, had the general goal of racial integration. Today, a suit like Gautreaux alleging racial segregation in federally-funded public housing would be brought against HUD under the Fair Housing Act.

Some actions of the plaintiffs, however, are not in dispute. First, the CHA pointed out that:

[I]n the recent litigation over Section 8, plaintiffs argued to this Court that funding for the scattered-site building program was almost exhausted. Motion To Modify Judgment Order, filed March 21, 1997, ¶ 4. This statement was made in the face of nearly \$120 million unspent dollars of HOPE VI funding, and the fact that the scattered-site building program permits building of scattered-site housing in the Limited Areas in which HOPE VI work is taking place. Thus, plaintiffs as recently as six months ago, did not appear to believe that HOPE VI money could be used for the Gautreaux scattered-site housing program or that HOPE VI was somehow governed by the Injunction.

Memorandum at 16. In response, the plaintiffs state that their “explicit reference, which CHA ignores, was to ‘incremental funding’ as one of two ‘principle’ (sic) remedial mechanisms.”⁸ Response at 8 n.7. The CHA respectfully disagrees. The principal theme of plaintiffs’ motion was that without the Section 8 remedy, the provision of a remedy under the Injunction would cease. See, e.g., Plaintiffs’ Reply Brief In Support Of Motion To Modify CHA Judgment Order, filed July 27, 1997, at 5 (“[There will not] be future HUD set-asides to fund scattered-sites, the Gautreaux Section 8 Program, or other Gautreaux desegregation opportunities.”) (emphasis added).

Virtually all of the CHA’s money comes from the federal government through HUD. Thus, the CHA interprets plaintiffs’ statement as meaning that, absent HUD’s Section 8 program, there is currently no federal funding available to be used for “Gautreaux desegregation opportunities.” This must mean that HOPE VI money is not available for Gautreaux desegrega-

⁸ Paragraph 4 of Plaintiffs’ Motion To Modify states that there is an “impending exhaustion of scattered-site funds (virtually no incremental funding for public housing construction is being provided).” Scattered-site building is, of course, the remedy provided by the Injunction. The above-quoted sentence appears to, at most, predict the ending of funding for the remedy provided in the Injunction. At the very least, the sentence links the scattered-site remedy to “incremental funding for public housing,” that is, to funding for new or aggregate increases in public housing.

tion opportunities. If the plaintiffs believed otherwise, they easily could have enlarged their motion to include both the Section 8 and HOPE VI programs, since their arguments would be substantially the same on each program. The undisputed fact is that the plaintiffs knew that years earlier the CHA had applied for and obtained HOPE VI funding, and they chose to limit their motion to Section 8.

Plaintiffs second telling act is their failure to act when the CHA applied for HOPE VI funding in 1993, 1996 and 1997. The 1987 order appointing the Receiver clearly prohibits the CHA from making "applications" for federally-funded "development programs." Order Appointing Receiver (August 14, 1987) at C, ¶ 2(a)(i).⁹ The CHA's HOPE VI applications were for programs that did not meet the locational requirements of the Injunction. Yet the plaintiffs did nothing. The plaintiffs agree that they did nothing but they excuse their inaction because, they say, they were respecting that the limits of the Injunction require a practical accommodation. They state:

This is correct; a decent respect for the limits of the judgment order requires a practical accommodation -- to which CHA initially agreed -- between CHA's entitlement to control HOPE VI funds not subject to the judgment order (e.g., for social services) and the Receiver's responsibility respecting HOPE VI-funded new public housing that is subject to the order. Moreover, the applicability of the judgment order cannot be determined definitely at the HOPE VI application stage; HOPE VI applications, once granted, may be and have been subsequently amended before a final commitment of funds.

Response at 8.

⁹ The question of the Receiver's authority over HOPE VI programs is not yet ripe because it depends, in part, upon the interpretation of the Injunction sought here. If HOPE VI is not covered by the Injunction, it is axiomatic that the Receiver lacks authority to implement HOPE VI. As indicated in the Memorandum at 10 n.7, in the event that the Court determines that the Injunction covers HOPE VI, the CHA will ask the Court to clarify the Receiver's authority over HOPE VI, or alternatively to amend the order appointing the Receiver. Such motions would require extensive briefing by the parties.

What incredible back-pedaling. Each of the CHA's HOPE VI applications focused on a particular neighborhood that contained some of the worst public housing in the City, and asked for funding to revitalize that neighborhood in accordance with HOPE VI's complex requirements. Each called for the replacement of some demolished units with new units on site. All new construction was designated for neighborhoods that were in Limited Areas. No application called for the building of any new units in any General Area. The plaintiffs cannot seriously seek to excuse their inaction to a "respect for the limits of the [Injunction]" or to some possibility that the CHA's application at some later date would be metamorphosed into a proposal consistent with the Injunction.¹⁰

The bottom line is that neither the plaintiffs nor the Receiver seriously contested the CHA's right to apply for and implement HOPE VI programs outside the scope of the Injunction. The very best example of this is Cabrini Green. The plaintiffs admit that the HOPE VI Cabrini project has gone forward without any involvement of the Receiver because the CHA and the Receiver never entered into a contract under which the Receiver would act as "development manager." Response at 6. The plaintiffs then state that "since the Receiver is in fact involved in the development of the new public housing portion of Cabrini HOPE VI activities, it has chosen to continue to try to work out suitable arrangements with CHA without seeking the Court's intervention." Response at 6. The Receiver, however, has admitted that the CHA has

¹⁰ The notion that the plaintiffs have the right to enforce or not enforce the terms of the Injunction based on their own concept of a "decent respect" for the limits of the Injunction shows that the Injunction is ambiguous and requires a proper interpretation regarding its applicability. An injunction cannot be so vague and unenforceable that one of the parties is entitled to forego enforcement proceedings out of its own concept of a "decent respect" for the limits of the Injunction.

never entered into any contractual relationship with the Receiver, and that the Receiver has no role at Cabrini except for a minor role in connection with the negotiation of 40-year leases of privately-developed housing units in the Cabrini-Green areas. The Receiver's Statement Regarding the Chicago Housing Authority's Emergency Motion to Clarify Injunction filed December 19, 1997 ("Receiver's Statement") states:

The Receiver agreed to work with the CHA to prevent the loss of these units, despite the fact that the CHA did not involve the Receiver in the lease negotiations. The Receiver has prepared and submitted to HUD a development proposal to obtain final HUD approval.

Receiver's Statement at 9. There is no dispute that the Receiver has had no development role at Cabrini. Despite the fact that the Receiver has asked for a "developer's fee," based on the size of the entire Cabrini redevelopment project, as its "fee" for the minimal assistance it provided in connection with the lease of 140 units, the CHA has consistently refused to pay a developer's 3% fee to the Receiver. The fact is that the Receiver has had no role in the Cabrini HOPE VI project.

III. Plaintiffs Have Neither Pleaded Nor Proved a Basis for Modifying the Injunction.

Plaintiffs have not filed a motion to modify the Injunction, and a brief in opposition to a motion cannot be transformed into a separate motion, yet they devote 7 pages and multiple page affidavits to arguing that HOPE VI-funded housing is needed to "reach the unachieved remedial goal in this case." Response at 11-17. While the plaintiffs purport to make the case for a modification to include HOPE VI-funded units, they fall short of even pleading the evidence required for the Court to even consider modifying the Injunction. Less than six months ago, this Court set forth the standard by which a motion to modify must be judged:

In order to prevail on a motion to modify the judgment order, the plaintiffs must show that the "principal objects" of the order have not been achieved. . . . Importantly, even if the

“principal objects” of the original order have not yet been fully achieved, we must consider whether other reasons outside the control of the defendant have prevented success and whether adherence to, rather than modification of, the current injunction may be the most fair alternative.

* * * *

While it might be expedient to simply accept the plaintiffs’ assertion that “the vast majority of CHA’s family public housing still consists of the same segregated units, in the still segregated neighborhoods,” as well as the plaintiffs’ unstated assumption that the allegedly segregative situation is entirely a result of CHA’s original discrimination, we must insist on specific facts supported by evidence. For example, relevant information to test the first assertion would include the number of public housing projects that remain predominantly white and the number of projects located in the Limited Area and the General Area. If the evidence shows that segregation in public housing still exists, then we must explore the link between the current segregation and CHA’s original discrimination, past remedial efforts (or lack thereof), current remedial efforts, and future plans. For example, we would examine the quantity and location of affordable land in the General Area remaining for site selection, the effects of private decision making on the current segregative state, and the effects of the shift in demographics over the years.

Gautreaux v. CHA, 1997 U.S. Dist. LEXIS 12924, *5-*8 (N.D. Ill. Aug. 26, 1997) (Attached to Memorandum as Exhibit A).

While the issue has no bearing on the Motion, the CHA points out that the plaintiffs’ assertions and the “evidence” they cite do not address sufficiently whether there is existing segregation, and, if any, whether it can be proximately linked to the CHA’s original discrimination. To show segregation, the plaintiffs state that 99½% of the CHA’s total family units in 1968 were located in Limited Areas, and today the percentage is 85%. That does not establish that the CHA’s public housing system is still segregated. The cited “statistic” would have to be compared against the growth of the African American population and the decline of the majority population that has occurred over the years. Segregation is a relative concept, depending upon, among other things, the demographics of the City and region as a whole,

patterns of residential segregation and/or desegregation within the City as a whole, the demographics of the CHA's tenant and applicant population, and the current demographics of the formerly all "White" CHA developments. See id; see also Freeman v. Pitts, 503 U.S. 467, 494-95, 112 S. Ct. 1430, 1447-48 (1992).

The plaintiffs have not addressed many of the factors the Court has stated must be considered with regard to the link between current alleged segregation and the CHA's past discrimination. They only argue that "[s]ince all of today's units located in Black neighborhoods are the identical units found by Judge Austin to have been wrongfully sited, today's racial imbalance in unit location is directly and causally linked to CHA's original wrong." Response at 12 (citation omitted). This clearly does not show a link between the past and the present.

The fact that the CHA has not demolished units in the Limited Areas does not demonstrate anything about the overall racial balance of Chicago's public housing system. Judge Austin did not order the CHA to tear down housing in Limited Areas, and in fact, he permitted the CHA to continue to erect new housing in Limited Areas. Moreover, any lack of progress during the past 10 years occurred on the Receiver's watch. Since the Receiver had free reign to construct public housing in General Areas, to the extent it was not able to build more units, it probably was not possible to build more. This alone severs the current statistics from the 1969 statistics.

Because the plaintiffs have not presented any evidence regarding all of the factors relevant to determining if the City's public housing system is still segregated, or any link to the CHA's conduct, the plaintiffs have not made even a prima facie case for modification.

IV. Federalism/Separation of Powers

The CHA has already submitted to HUD and HUD has already approved the CHA's HOPE VI plans that do not contemplate one-for-one scattered-site building,¹¹ and in fact require most of the building to take place in the Limited Areas. These plans are consistent with Congress's intended use of HOPE VI to revitalize neighborhoods such as those in the Limited Areas. Clearly, the imposition of the Injunction on HOPE VI would have perverse results in direct conflict with the goal of HOPE VI intended by Congress when it created the program. Memorandum at 18-19.

Finally, the CHA has the right and the responsibility to "make the most" of the federal funds that the federal government has made available to Chicago and the State of Illinois for assistance with public housing. Today, HOPE VI money is available for the revitalization and rehabilitation of certain neighborhoods in which large public housing projects are located. Funding that can be used for such projects may not be available in the future. For example, the CHA may not be able to use future funding for the development of more aggregate units of public housing in the Limited Areas that are now benefitting from HOPE VI. While a federal court can enjoin a housing authority from violating the constitution, it should not enjoin a housing authority from making efficient use of federal housing dollars. See Hoover v. Wagner, 47 F.3d 845, 850

¹¹ The HOPE VI application process required the CHA to submit its plans for HOPE VI funding at the time of the application; this is so because the HOPE VI program is a competitive funding program. The CHA could not have submitted as a part of its HOPE VI applications a plan to build one-for-one scattered-site housing, as required by the Injunction. HOPE VI's programmatic requirements would not permit such a plan. See supra note 2. And, even if HOPE VI would technically permit such a plan, it is clear that the CHA simply would not have been competitive with other housing authorities (and thus would not have obtained any HOPE VI funding) if it had submitted such a plan.

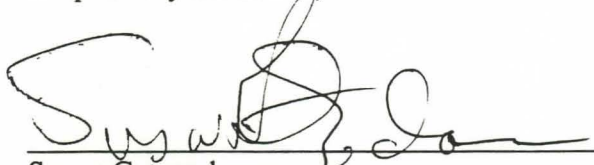
(7th Cir. 1995). The HOPE VI program has not been “tainted” with discrimination. Accordingly, the State of Illinois and the City of Chicago (through the CHA) should be permitted to maximize their use of federal funds over time, for the benefit of the collective interests of the CHA’s tenants, many of whom are plaintiffs in this case.¹²

¹² Cf. Romney, 457 F.2d at 127 (the district court should not have “ignored the interests of poor people, mostly black, intended by Congress to be the beneficiaries of the Model Cities Programs, while seeking enforcement of a timetable for the erection of housing units in white areas which, although laudable, could not be achieved in time to prevent the catastrophe threatened by the District Court’s order terminating federal funds to a program not found to be discriminatory.”)

Conclusion

For the reasons stated in its Memorandum and this Reply, the CHA respectfully requests that this Court grant the CHA's Emergency Motion to Clarify the Injunction and declare that the Injunction does not apply to the CHA's applications for and use of HOPE VI funds.

Respectfully submitted,



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CHICAGO HOUSING AUTHORITY

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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BY HAND ☐

OCT 2 1997

DOROTHY GAUTREAUX, et al.,)

Plaintiffs,)

v.)

CHICAGO HOUSING AUTHORITY,)

Defendant.)

SKADDEN, ARPS, SLATE,
No. 66 C 1459 MEAGHER & FLOM
Chief Judge Aspen

**RESPONSE OF THE UNITED STATES DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT TO CHICAGO HOUSING AUTHORITY'S
EMERGENCY MOTION TO CLARIFY INJUNCTION**

On September 30, 1997, the Chicago Housing Authority ("CHA") filed an emergency motion requesting clarification of the 1969 remedial order entered against CHA. For the reasons set forth in its supporting memorandum, CHA sought confirmation that the 1969 order does not govern CHA's HOPE VI funding and programs and that such funding and programs are not part of the remedial relief granted to plaintiffs in this case.

CHA alleges that the emergency was caused by HUD's inclusion of a requirement for court approval in its September 18, 1997 letter approving CHA's revised Revitalization Plan and Budget for the Cabrini-Green HOPE VI/Urban Demonstration Program. That letter stated "that within 30 days of the date of this letter, CHA provide evidence that the [Gautreaux] plaintiffs and Court ... have approved or have no objection to the development/acquisition of replacement public housing in the quantities and locations proposed in the HOPE VI Revitalization Plan". See Exhibit A, Declaration of Kevin Marchman, ¶¶ 1&2.

The stated requirement did not, and was not intended, to reflect any independent determination by HUD that CHA's HOPE VI program was covered by the 1969 judgment order. Rather the purpose of the quoted passage was to insure that CHA promptly obtained plaintiffs' agreement to the Authority's understanding of the Order or alternatively obtain appropriate clarification from the court. Exhibit A, ¶ 3.

HUD believes that CHA presents substantial arguments raising serious question as to whether the 1969 judgment order governs HOPE VI funding and programs and whether the court intended its remedial order to encompass HOPE VI funding and programs. HUD has a strong interest in insuring that the Cabrini-Green HOPE VI/Urban Demonstration Program proceeds promptly and that this implementation not conflict with the judgment order entered against the CHA in this case. To that extent, HUD supports CHA's motion for clarification of the 1969 judgment order.

Respectfully submitted,

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United States Attorney

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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	)	
	)	
Defendant	)	

DECLARATION OF KEVIN MARCHMAN

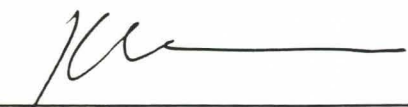
I, Kevin Marchman, the Acting Assistant Secretary for Public and Indian Housing of the United States Department of Housing and Urban Development hereby declare under penalty of perjury, based upon my personal knowledge and information provided to me by my staff:

1. My Deputy Assistant Secretary for Public Housing Investments, Elinor R. Bacon, issued a September 18, 1997 letter approving the Chicago Housing Authority's (CHA) Revitalization Plan and Budget for the Cabrini-Green HOPE VI/Urban Demonstration Program. I have been advised that this letter is referenced in paragraph 7 of CHA's Emergency Motion To Clarify Injunction.

2. The letter contains a requirement that by October 18, 1997, "CHA provide evidence that the Plaintiffs and the Court in the Dorothy Gautreaux, et al., case have approved or have no objection to the development/acquisition of replacement public housing in the quantities and locations proposed in the HOPE VI Revitalization Plan."



3. That requirement does not reflect any independent determination by the Office of Public and Indian Housing that the HOPE VI program was covered by CHA's judgment order. It has been my understanding that the CHA believed that the HOPE VI program is excluded from that order. The purpose of the requirement was to insure that CHA promptly obtain the plaintiffs' agreement to that position or to seek a clarification from the Court. HUD has an interest in insuring that the Cabrini HOPE VI program be able to proceed promptly and that it not conflict with the CHA's judgment order.



Kevin Marchman
Acting Assistant Secretary for
Public and Indian Housing
U.S. Department of Housing and
Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Executed on: OCT 14 1997

AFFIDAVIT OF MAILING

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

MARY ANNE MARTIN being first duly sworn on oath deposes and says that she is employed in the Office of the United States Attorney for the Northern District of Illinois; that on the 20th day of October 1997, she placed a copy of RESPONSE OF THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TO CHICAGO HOUSING AUTHORITY'S EMERGENCY MOTION TO CLARIFY INJUNCTION in a postage prepaid envelope addressed to each of the following named individual(s) and caused each envelope to be deposited in the United States mail chute located in the Everett McKinley Darken Building, Chicago, Illinois on said date at the hour of 5:00 p.m.

To: See Attached Service List

Mary Anne Martin

SUBSCRIBED AND SWORN TO before
me this 20th day of October, 1997

Catherine A. Manahan

NOTARY PUBLIC

My Commission Expires



SERVICE LIST

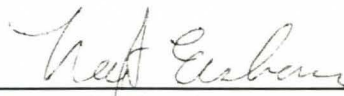
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Counsel for CHA

CERTIFICATE OF SERVICE

I, Nancy Eisenhower, an attorney, hereby certify that on Monday,
August 17, 1998, I caused a copy of the foregoing SUPPLEMENTAL APPENDIX
TO REPLY BRIEF OF DEFENDANTS-APPELLANTS CHICAGO
HOUSING AUTHORITY AND JOSEPH SHULDINER to be served by hand delivery
on counsel listed below:

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