



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-5000

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND SPECIAL HOUSING

November 15, 1999

Honorable Richard M. Daley
Honorable Danny Davis
Honorable Bobby Rush
Honorable Jesse Jackson, Jr.
Reverend Jesse Jackson
Ms. Mamie Bone
Resident Association Presidents

Dear Sir or Madam:

The U.S. Department of Housing and Urban Development (HUD) is strongly committed to the Chicago community and has worked particularly hard over the last few years to advance the transformation of the Chicago Housing Authority (CHA). As such, we welcome the City's ideas, comments and efforts in that important cause. As you know, the Department has begun reviewing the City's draft redevelopment plan and has had very productive initial consultation with community residents. In the spirit of partnership and shared commitment to the cause of improving the lives of the City's public housing residents, this letter, in advance of the submission of a final plan, raises those resident concerns we believe reasonable and offers acceptable resolutions. It is our aim that if the concerns raised by residents and addressed in this letter are included in the final CHA plan, HUD will be able to approve the City's plan on an expedited basis this year.

HUD's position on the City's proposed plan is straightforward and supportive. Indeed, HUD has pointed out to the residents who oppose the demolition proposed in the City's plan that the plan is primarily driven by new changes in Federal Law. In 1996, the Department issued the "viability" policy which mandates a building-by-building analysis to determine if it is better to rehabilitate or demolish a structure. This analysis has been done at the CHA and the City's plan would implement those results. The City's plan to demolish is no doubt a bold action. Demolition is an irreversible course. Moving families is disruptive and anxiety producing. But the City and we agree it is the only prudent option at this point. Years of patchwork solutions have failed. We applaud the City's commitment. It will not be easy, but we firmly believe it will work if done right.

At the same time, we also strongly agree with Congressman Davis, Congressman Rush, Congressman Jesse Jackson, Jr., and the Reverend Jesse Jackson, who have argued forcefully that resident concerns be fully and openly addressed in this process, and that

the residents' most significant concern - where they will live both during and after the demolition and replacement of the existing housing stock - be paramount in any HUD approval. In the dozens of communities in which HUD has worked closely with city leadership, housing authorities and residents, we have consistently focused on the need to ensure a place to live for residents when an overhaul is complete. We believe firmly in resident empowerment and inclusion throughout all phases of the plan and its implementation. The residents are the "customers" of public housing and the process and product must serve their needs.

Background

We believe it is useful to review the history that provides the backdrop for HUD's review of the CHA plan. Almost 50 years ago, the Federal Government embarked on a large-scale effort to provide clean and decent housing. The effort in some places-- including Chicago--created massive housing projects concentrated by race and poverty. Public housing was too often designed to segregate and isolate the poor. It is often built on the "other side" of town and then "walled off" from the rest of the city by an expressway or industrial corridor.

At its peak, 97 percent of Chicago's public housing families were African-American. Today, Chicago's housing projects contain 11 of the nation's 15 poorest census tracts, and remain 92 percent African-American. Indeed, in the landmark case to which CHA resident Dorothy Gautreaux lent her name in 1966, a Federal court found that the CHA "deliberately targeted only predominantly black neighborhoods in which to build public housing, while HUD knowingly assisted CHA in carrying out that discrimination." A combination of flawed Federal and local policies compounded by years of mismanagement by the CHA turned what was once hailed as the "promised land" of public housing into a nightmare of poverty, violence, segregation, and sub-standard living conditions.

There is more than enough blame to go around for the situation to which low-income Chicago families have been relegated for the past 40 years. City fathers built the original housing and oversaw management for 20 years, running the CHA into failing status as a troubled housing authority. HUD took it over three years ago and has clearly not turned the situation around. It is time to accept that the tarnished legacy of public housing has had many authors. We must move beyond finger-pointing to join hands and work together in a more productive effort.

Indeed, while Chicago is home to some of the worst public housing in the nation, it is not unique. Four years ago, HUD embarked on an effort to remedy mistakes of the past by setting as a goal the demolition of 100,000 units of the most severely distressed public housing in America. That effort, known as the HOPE VI program, has successfully transformed distressed public housing into attractive, mixed-income communities throughout the country. The program is working in Baltimore, Washington, DC, St. Louis, and dozens of other cities. And it can work in Chicago. Indeed, we have

ly begun. With \$150 million HUD funding in the past three years, HUD began construction of the first 6100 units in Chicago during our recently-ended three-year stewardship over the CHA, including the demolition in 1998 of the notorious "Hoik" — the most oppressive section of the Robert Taylor Homes.

Current Situation

The question today is not whether to bring down the worst failures of the nation's public housing. Residents are incorrect if they assume demolition is the City's choice. It is not a City option, but a Federal directive. Under President Clinton and Secretary Cuomo, Federal policy now mandates that this demolition be done—in Chicago and across the land. The "viability policy" clearly says that if it is more cost effective to demolish, that course must be taken.

The real question today echoes the one raised by Dorothy Gautreaux in her landmark civil rights litigation some 33 years ago: where will poor, mostly African-American residents live after their homes are demolished and what say will they have in the decisions? HUD recognizes that demolition does not a transformation make. The transformation of public housing entails two equally vital steps—demolition and reconstruction—and the first step is often the easier of the two.

The question of where families will live after their homes are demolished must be answered convincingly before dynamite is placed beneath the foundations of Chicago's public housing. It would be a deep tragedy if, failing to heed the lessons of past mistakes, the Federal and City governments create a plan today that simply replaces, as the Chicago Tribune once put it, "yesterday's ghettos with tomorrow's "

In short, the City is now anxious to take action to improve the intolerable conditions at the CHA. We applaud the Mayor's direct involvement and action. We agree with the Mayor that demolition of buildings that are "not viable" is the correct course. We also agree with the Mayor that a new plan of reconstruction will be more productive in the long run. At the same time, residents question what their future will be once their homes are demolished. Their concerns are legitimate and understandable, and these concerns are heightened by a skepticism that is, in their view, the fruit of years of broken promises.

Rather than merely repeating the resident concerns we find valid, we believe it would be most constructive to also provide recommended resolutions that we believe satisfy the concern and improve the plan.

Recommendations for Resolution

The Secretary has asked us to develop a resolution that recognizes the importance of both sets of concerns—those of the City and of the residents of public housing—and addresses both in a reasonable way. Toward that end, we have heard the residents' issues

and developed a series of recommendations to address the legitimate core concerns. The adoption of these resolutions would enable HUD to approve the City's plan expeditiously.

The main components of the City/resident resolutions are:

1. "Housing Security": The residents ask the same question repeatedly: "Where will I live after my home is demolished and what if I can't find an apartment with a Section 8 voucher?" The question is valid. The plan needs to ensure that the demolition of CHA properties does not displace more families than the housing market can accommodate at any given time. The Federal Government and the CHA have an obligation to ensure that a safe and suitable living environment is assured for all current public housing residents dislocated as a result of demolition or rehabilitation.

The key factor in determining the pace of demolition must be the ability of the CHA to ensure that there are sufficient housing opportunities for displaced families. HUD cannot approve a plan in which the CHA will displace more families than the housing market can accommodate. No one would want to make families homeless.

There is no doubt that the current rental market for affordable units in Chicago is perceived by many to be tight. As noted in the report recently released by Cardinal George, *The Housing Crisis in Our Neighborhoods*, 245,000 low-income renters compete for 115,000 units of affordable housing. The report states:

"While we agree that severely distressed public housing must be replaced, Catholic Charities is particularly concerned about how the demolition of public housing units will impact the housing situation in Chicago. As a projected 17,000 units of public housing come down in Chicago over the next 10 years, the demand for affordable housing will increase as thousands of families enter the private housing market. Although they will receive Section 8 subsidies to help cover rental costs, former public housing residents must contend not only with racial and class discrimination, but also with a housing market that has little need for their Section 8 subsidies when thousands of people can afford record high rents."

There are other studies that suggest there is more availability in the market place. We believe that the market--while tight--can accommodate a number of new Section 8 voucher holders. More important, the market is dynamic and will change year to year. Considering this is a 10-year plan, we need a mechanism to accurately monitor the availability of units and changes year to year. Successful relocation will require a constant balancing of the number of units demolished, the number of Section 8 vouchers issued and the number of available units. We believe such a calculation, while difficult, can be developed and executed. Therefore, the Department recommends that the pace of demolition be indexed to a percentage of the available Section 8 housing supply, to be

determined by an annual market study conducted by HUD. This means the number of displaced families in any year cannot exceed a factor of the number of units available to Section 8 voucher holders. Unlike most rental market studies, which merely survey vacancies and rent levels, the study should determine the actual volume of vacancies among landlords. HUD will conduct such a housing study on an annual basis. We believe housing counseling and mobility strategies may also locate available units outside the City and within the metropolitan region. In sum, the residents' concerns about the limited availability of units to Section 8 voucher holders is legitimate. However, the Department believes the market can sustain a significant number of new Section 8 voucher holders and that the Department can develop an index to balance the number of units demolished with the number of units available in the market. The Department believes this recommendation is a suitable action to allay this valid resident concern.

2. No Forced Relocations to the Suburbs: Residents express the concern that they will be forced to move out to the suburbs against their will. Initially, suburban locations may offer certain advantages. The Department believes these locations should be marketed to Section 8 voucher holders as options to be considered. Housing counselors should compile an array of all available locations. However, the final determination is to be made by the resident. No one is to be forced from the city. An unforced choice by the residents is the goal." In addition, the Department's policy is that in the case of resident who wants to return to their original complex or neighborhood they should be given a preference in "re occupancy" of that building.

3. Resident Participation: As some Members of Congress have noted, many residents feel that they have not been sufficiently included or consulted in the process. Going forward, residents must be assured that their involvement will be consistent and meaningful throughout both the planning process and the implementation of the plan. For example, resident management corporations should be encouraged as part of the planned privatization of property management; resident employment opportunities should be provided in the construction and minority business entrepreneurs should be included as contractors and subcontractors. HUD has assured the residents that they will be fully involved in all aspects of the plan and that HUD will safeguard their rights.

* In addition, CHA needs to provide a better estimate of the number of families to be displaced and the number of units to be demolished. The CHA plan includes the "net" demolition of at least 16,404 units. The plan actually appears to include demolition of a greater number of units than is explicitly stated. For example, in Category 4, the plan states that there are 3051 existing units among 10 sites, with 2318 of these occupied. The plan states that after revitalization, 2318 units will remain. The plan posits that "the agency will dispose/demolish units equal to the number that are now vacant." Thus, in this category alone, there are over 700 additional units that will be demolished which are not included in the figures stated for demolition. In addition, the number of units actually demolished appears to be further understated in that the "net" number of units targeted for demolition does not include units demolished and then reconstructed. CHA needs to provide a more precise accounting of the number of units to be demolished. The CHA has estimated that approximately 6150 households will need to be relocated as a result of demolition of obsolete high rises or other redevelopment projects. This estimate appears to be understated. For example, in Category 1 and Category 5 alone, there are approximately 7400 families occupying units to be demolished. This figure does not include residents to be relocated as a result of modernization, which should be anticipated to include several thousand additional families. In published reports, CHA has stated that as many as 20,000 persons may need to be relocated.

** Section 8 voucher holders moving from public housing in a city out to suburban locations have caused controversy in the past (See *Thompson v. Cuomo and the Housing Authority of the City of Baltimore*)

4. Federal Guarantee of Development Funds: The City has requested that HUD provide a guarantee of Federal funding of future year development funds to assist the financing of the capital needs identified in the CHA plan. The Department, under this Administration, has fought hard each year to obtain a strong budget for public housing and expects that if Congress continues to fund at the Administration's requests, Chicago will be able to access the full \$150 million annually. However, public housing funds are subject to yearly appropriation by Congress. Absent specific congressional authorization, a Federal Agency cannot pledge the full faith and credit of the United States to provide a guarantee for a local government's assumption of debt obligations. Because HUD so strongly shares the city's commitment to the redevelopment of this housing, HUD will approve a funding guarantee of up to \$545 million through the Community Development Block Grant (CDBG) program subject to annual limits set by Congress. HUD will also provide all legally permissible waivers to permit the broadest possible use of CDBG funds for CHA development expenses.

5. Appropriate Approvals Under the Gautreaux Consent Decree: Under Gautreaux, the CHA has no authority to develop new public housing. The CHA remains under the jurisdiction of Federal Court in regards to development and siting of public housing. HUD's approval of the plan is contingent upon the appropriate review and approval under the terms of the Consent Decree.

We believe these points respond to reasonable resident issues and recognize important aspects of successful demolition/reconstruction efforts undertaken by other cities. If these changes are incorporated, HUD will take the position to the residents that their primary concerns are addressed and that HUD will move forward with the City on an expedited basis.

It should also be understood that other issues, such as mixed income occupancy, employee linkages, housing counseling, homeownership opportunities, and resident empowerment, are among the key components of proven successful models.

While we believe the areas raised in this letter to be the most critical issues presented by the draft plan, there may be additional technical issues which should be considered by CHA and which will be forwarded by the Department as our discussions with the CHA proceed. In addition, the Department has scheduled a public hearing with Congressman Rush on November 29, 1999, and may update this response with information from that hearing.

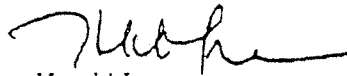
If the CHA determines that it desires or needs additional time beyond December 1, 1999, to submit the final plan, the Department will accommodate that request.

In sum, Secretary Cuomo's directive to us was to "expedite a plan for the City which will work long term to turn the CHA from an historic blunder to a national model.

and which protects the residents' rights in the process. The plan must work for the City and the residents or it will ultimately work for neither "

We believe this approach resolves and compromises those issues and we are prepared to move forward—together.

Sincerely,



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