

MISSISSIPPI CENTER FOR JUSTICE

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A Mississippi Nonprofit Corporation

April 21, 2011

Gerald S. Hartman
Drinker Biddle & Reath LLP
1500 K Street NW
Washington, DC 20005-1209

RE: Grant from the Barbara McDowell and Gerald S. Hartman Foundation

Dear Jerry,

We are pleased to provide the following semi-annual report of the work performed on the case for which the Foundation grant was provided. It has been an interesting six months for *Lowe v. South Delta Regional Housing Authority*.

The *Lowe* case involves tenants of a low income housing program run by a regional housing authority. After years of paying \$60/bedroom/month for rent, the housing authority suddenly raised the rent to approximately \$130/bedroom/month, to be effective in August, 2009. We filed suit on behalf of about 250 tenants, protesting that the rent increase violated the state statute governing housing authorities, which limits the amount of rent to be charged to a "break even" amount. After a short delay, the new rent structure went into effect in November, 2009, and the tenants have been paying the increased amount for 18 months. At this point, approximately 65 of our original 250 tenants have moved because they have been unable to pay the increased rent.

Our case was put on suspension track for several months last fall because the executive director of the South Delta Regional Housing Authority was being investigated by the FBI for fraud, and she refused to answer any discovery questions based on her 5th Amendment rights. We mediated the case in December, and we thought we had come to an agreement on every issue except the crucial question of the amount of rent that should be charged. Negotiations broke down, and the case was re-set for trial in August.

The executive director was indicted in January for tampering with government witnesses, but she continues to run the housing authority on a daily basis. We scheduled depositions for the board members and two government witnesses for early April, which prompted the board members to come back to the settlement table. We have postponed the depositions until we can meet with the magistrate judge on May 12, at which time we hope to have the case settled. We are now in agreement on the amount of rent to pay going forward, but we are stuck on appropriate compensation for the tenants who moved out since suit was filed.

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A part of the settlement agreement will include a plan for scheduled maintenance for these units. In the 18 months since the rent increased, our plaintiffs have paid over \$1.3 million in rent over and above what they were paying before. At the first hearing on our motion for injunctive relief, the housing authority submitted a document showing they were \$500,000 in the hole. It is clear that they have made up the entire deficit on the backs of our tenants and have now made a tidy profit, in contradiction of their governing statute. To add insult to injury, the housing authority has not invested in maintenance during the time of the rent increase, so the tenants are paying more for substandard housing. We are very hopeful that we can right the ship in May, but if we are not able to settle the case, we look forward to trying it in August.

We have spent the generous grant from the Barbara McDowell and Gerald S. Hartman Foundation on the time of the senior attorneys from the Mississippi Center for Justice who have worked on this case. Lead attorney Beth Orlansky has spent 328 hours on the case, and there has been no other source of funding for her time.

Thank you again for your commitment to impact litigation. We hope to have a happy ending to report in the next six months.

Very truly yours,

MISSISSIPPI CENTER FOR JUSTICE



Beth L. Orlansky
Advocacy Director