



CITY OF LONG BEACH

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HENRY TABOADA
CITY MANAGER

February 1, 2002

Mr. William Barth
CPD Division Director
HUD Los Angeles Office
611 W. 6th Street, Suite 800
Los Angeles, CA 90017

RE: Request for Material Amendment to HUD-Approved Homeownership Zone – City of Long Beach – HZ97-011

Dear Mr. Barth:

The City of Long Beach hereby requests a Material Amendment to Homeownership Zone Grant HZ97-001 approved by HUD on March 27, 1998. The amendment is provided in the format identified in HUD's letter dated July 8, 1999 regarding procedures for amendments.

BACKGROUND

In September 1997, the City of Long Beach applied for \$3.5 million in Homeownership Zone Grant funds offered by HUD in the July 7, 1997 Homeownership Zone NOFA. The funds were to be used to revitalize a portion of the central area of Long Beach, which had suffered from blight and economic decline for many years, and was devastated by the 1992 civil unrest in the Los Angeles Area. The City of Long Beach was awarded a \$1.9 million Homeownership Zone Grant in June 1998.

The requested \$3.5 million was to be combined with no less than eight public financing sources totaling over \$87 million and private funding of nearly \$77 million. The original HOZ plan was to provide 381 new homeownership opportunities, two major anchor retail centers, a school, parks, green streets, community gardens, expanded transit facilities, a hospital expansion, and an aggressive commercial revitalization program.

STATUS OF PROJECTS

Since the HOZ grant was awarded, over \$71 million in public and private funds has been expended in the Zone. Major accomplishments include the following:

- Completion of one major anchor retail center, the Wrigley Marketplace, which includes a major grocery and drug store, 40,000 square feet of retail space, and an MTA transit station and parking structure.

- Completion of 40 single-family homes and a community childcare facility for up to 65 children at Atlantic Avenue and Hill Street.
- Completion of 3 Habitat for Humanity homes, with another under construction.
- Completion of a new international elementary school.

Ongoing commercial revitalization efforts in the Zone have brought about the development of two additional major commercial centers and four new neighborhood-serving commercial centers, and has assisted in the development of several new small businesses, two new Head Start facilities, and a Poly Academy of Accelerated Learning.

Although we have not accomplished our target goals in terms of new housing units, we have made considerable progress toward the visual improvement and economic transformation of the Zone. The commercial growth that has occurred along Long Beach Boulevard is vital to the comprehensive revitalization of the area, and is an essential element in our effort to attract new homebuyers to the area.

REASONS FOR REQUEST

The City has faced many hurdles while attempting to implement the HOZ plan. The economic devastation caused by the closure of the Naval Base, Shipyard, Hospital, and Housing combined with the civil unrest of 1992 and the 1990's recession, is still felt in this area of the City. In fact, poverty levels in Central Long Beach have increased in recent years, and property values have not increased as significantly as in other areas of the City and in Southern California in general.

Due to the lack of growth in property values in the Central Redevelopment Project Area, there are no redevelopment funds to assist with project development. In fact, since its adoption in September 1993, the Project Area has not generated any tax increment revenues. It has also been difficult to secure funding for development from private investors and other government agencies. The City has been unsuccessful after three attempts in bringing federal Empowerment Zone status to the project area. After two years and two solicitations, we have been unable to secure a developer for the American Marketplace, our second major retail center, which is the location of the majority of the proposed new housing units. In addition, we have discovered that the cost of site clean up for some of the commercial sites is excessive and prohibits us from moving forward with housing development on these sites, and the cost for constructing new housing on developed land is very expensive. This is especially true when housing is made affordable to households earning less than 80% of area median income.

To further complicate the development of housing in the Zone, particularly near the proposed American Marketplace, there is strong community opposition to housing

development in place of existing commercial uses along Long Beach Boulevard and Atlantic Avenue. Nearly all of the sites proposed for housing have been lost to commercial development. Identifying new sites for housing development within the existing boundaries has become infeasible. We feel that it would be more beneficial to continue to stabilize the area through commercial development, and concentrate our efforts on the rehabilitation of existing housing units and increasing homeownership opportunities within the existing Zone boundaries through more aggressive and focused marketing of existing rehabilitation and homeownership programs.

DESCRIPTION OF MATERIAL AMENDMENT

While we forge ahead with our efforts in the existing Zone boundaries, the City is proposing to amend the HOZ as follows:

- 1) Extend the southern and western boundaries of the HOZ to include the East Village Arts District, portions of Downtown Long Beach, and the historic Willmore City Neighborhood. A map of the proposed expansion is provided as Attachment 1. The expansion will allow us to do the following:
 - Add additional ownership housing units in an amount greater than provided in the approved plan, and in a mix of condominium, townhouse, and loft housing.
 - Add rental housing and two new hotels, and provide live-work opportunities for low-income artists.
 - Develop additional parks and a new school.
 - Expand our efforts toward commercial revitalization, green streets/tree planting, housing rehabilitation, and in-fill housing development.
- 2) Eliminate certain projects from the approved plan due to lost development sites.
- 3) Add City Place, a new major commercial center in place of the unsuccessful American Marketplace development.
- 4) Extend the completion date for three additional years to December 2005 to implement existing and proposed new programs and projects.

A description of the proposed area and projects is provided as Attachment 2. We are not proposing to reduce or eliminate portions of the existing Zone boundaries because we have made accomplishments that we feel are important. We would like to continue our efforts to rehabilitate housing and neighborhoods, promote economic growth, and provide homeownership opportunities within the approved Zone boundaries. The following table identifies the projects that we would like to eliminate from the approved HOZ:

Project Component	Location	Number of Units	Leverage Amount
American Marketplace			
L.B.Blvd./10 th Townhouses	L.B. Boulevard and 10 th Street	77	\$13,320,480
L.B. Blvd./11 th Townhouses	L.B. Boulevard and 11 th Street	52	\$7,237,200
Elm and Anaheim Townhouses	Anaheim Street and Elm Street	38	\$6,353,620
Linden Single-Family	Linden Avenue and Seventh Street	8	\$1,802,320
American Marketplace Retail Center/ transit center expansion	Anaheim Street and Long Beach Boulevard	12 Acre Site	\$31,931,920
Green Streets Program	Zonewide		\$1,000,000
New Part			\$2,843,000
Atlantic Ave. Improvements	Atlantic Avenue		\$1,600,000
Wrigley Neighborhood			
Willow Single-Family	Willow Street and Pacific Avenue	36	\$7,094,640
L.B. Blvd./20 th Townhouses	L.B. Boulevard and 20 th Street	62	\$9,522,972
In-fill Development Park	Various locations	N/A	\$650,000
TOTALS		273	\$83,356,152

The proposed Zone expansion and new projects, combined with ongoing efforts in the existing boundaries will provide the City with a greater opportunity to meet the intent of the HOZ. The following table identifies proposed new or revised projects within the proposed HOZ expansion area and in the existing boundaries:

Project Component	Location	Number of Units	Leverage Amount
East Village Arts District			
Linden Hotel	120 Linden Avenue	Hotel	\$6,000,000
Live/Work Artist Loan Program	East Village Arts District.	Rental	\$2,125,000
4 th & Alamitos Lofts	Fourth Street and Alamitos Street	34	\$7,000,000
East Village Arts Park	Elm Street and Broadway	N/A	\$230,000
City Center			
City Place (major commercial and apartments)	L.B. Boulevard between Broadway and 6 th Street	279 Rental (not included in total)	\$60,000,000

Project Component	Location	Number of Units	Leverage Amount
4 th and Elm Condominiums	Fourth and Elm Streets	71	\$15,000,000
Promenade Rental Units (site 1)	Promenade between 1 st & 3 rd Streets	150 Rental (not included in total)	Unknown
Promenade Condominiums (site 2)	Promenade between 1 st & 3 rd Streets	100	Unknown
Promenade Condominiums (site 3)	Promenade between 1 st & 3 rd Streets	68	Unknown
D'Orsay Hotel	Promenade between 1 st & 3 rd Streets	Hotel	\$35,000,000
Broadway Lofts	248 E. Broadway	48	\$9,400,000
Willmore City Neighborhood/ West Gateway			
New Housing	West Gateway	375 (rental not incl.)	\$200,000,000
In-fill Housing	Various	12	\$1,500,000
Acquisition/Rehab.	Various	12	\$2,300,000
New School	Broadway/Golden		\$20,000,000
Zonewide Improvements			
Habitat for Humanity Homes	Various	5 (in addition to approved)	\$675,000
Commercial Revitalization	Zonewide	N/A	\$2,000,000
Green Streets/Tree Planting			\$800,000
TOTALS		723	\$327,030,000

The overall design of the HOZ will be enhanced by the proposed amendment because the proposed expansion includes portions of Downtown Long Beach, which is reemerging as a vital business district and entertainment destination, and two surrounding neighborhoods, the East Village and the Willmore City neighborhood. These areas include historic portions of the City and an arts district, and are beginning to rebound from years of decline. Combined with the Downtown shopping and entertainment district that is continuing to develop, these areas will provide a logical link to the existing HOZ area in Central Long Beach and to established neighborhoods to the north and east. In addition, a more eclectic mix of housing adjacent to transportation, retail, office, entertainment, and cultural centers will create a sense of neighborhood and community that is in keeping with the principle of New Urbanism.

IMPACT ON TIMELINE AND BENCHMARKS

Many of the projects identified in the approved plan, with the exception of various key housing projects, have been completed. If approved, the extended timeline and proposed projects within the expanded boundaries will allow us the opportunity to meet

the original intent of the program by providing feasible projects in place of projects that never materialized. The proposed projects are not just conceptual, but are projects that have been approved by the community and civic leaders. In many cases the land has been acquired, a developer has been selected, and design/development is underway.

IMPACT OF AMENDMENT ON ORIGINAL RESPONSE TO RATING CRITERIA

The requested amendment may impact the City's original response to the rating criteria contained in the July 7, 1997 NOFA only because we are proposing to eliminate some of the original projects, and several new projects are being proposed in their place. The narrative section of the original HOZ proposal still applies to the revised plan and all of the programs/provisions contained therein will be applied to the revised HOZ projects. The only significant changes are some of the projects themselves and the project timeline. The revised Housing Development Summary, revised Schedule and Performance Measures chart, and revised Sources and Uses chart are provided as Attachments 3, 4, and 5 respectively.

We are committed to accomplishing the goals and objectives established in this proposed HOZ Amendment. The improvement of the residential neighborhoods and commercial corridors in Central and Downtown Long Beach, including the existing and proposed Homeownership Zone, is very important to us. Your favorable consideration of this request will be greatly appreciated.

I would like to thank you and your staff for working with us to help make our HOZ a success. If you have any questions, please call me or Melanie Fallon, Community Development Director at (562) 570-6570.

Sincerely,



Henry Taboada
CITY MANAGER

ATTACHMENTS

- Map of Revised Zone Boundaries
- Proposed Project Descriptions
- Revised Housing Development Summary
- Revised Schedule and Performance Measures
- Revised Sources and Uses

cc: Ginger Macomber, Homeownership Zone Grant Coordinator – HUD Washington
Juanita Gutierrez, Office of Affordable Housing Programs – HUD Los Angeles
Melanie S. Fallon, Director of Community Development – City of Long Beach
Beth Sotchl, Housing Services Bureau Manager – City of Long Beach