



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-7000

MAR - 5 2002

OFFICE OF THE ASSISTANT SECRETARY  
FOR COMMUNITY PLANNING AND DEVELOPMENT

Mr. Henry Taboada  
City Manager  
City of Long Beach  
333 West Ocean Boulevard  
Long Beach, CA 90802

Dear Mr. Taboada:

**SUBJECT: American Market Place/ Wrigley Neighborhood Homeownership Zone  
Grant Number: HZ97-011  
Request for Amendment**

I am writing in response to your February 1, 2002, letter requesting a material amendment to the City of Long Beach's approved American Market Place/Wrigley Neighborhood Homeownership Zone (HOZ) proposal.

In 1997, HUD made funds available through a competitive application process to implement Homeownership Zones in selected cities. The purpose of the Homeownership Zone program was to demonstrate that large-scale homeownership development projects could reclaim distressed neighborhoods and serve as a catalyst for neighborhood revitalization. The July 7, 1997, Notice of Funding Availability (NOFA), established the basic program requirements. Sixty-seven eligible applicants applied for \$20 million in funds. After a highly competitive review process, the six highest rated applicants were awarded Homeownership Zone grants.

The City of Long Beach was one of the successful applicants. The city's proposal was selected based on the comprehensive quality of its proposal design, the demonstration of its ability to implement its proposal in a timely manner and its commitment to the significant leverage of other funds. On March 27, 1998, HUD wrote to the City of Long Beach awarding the city a HOZ grant of \$1,500,000 and approving the American Market Place portion of the City's HOZ proposal. HUD did not initially approve the city's entire HOZ proposal because there were insufficient grant funds. On May 22, 1998, HUD accepted the city's request to maintain its original Homeownership Zone boundaries which included the Wrigley Neighborhood. This approval was based on the city's assurances that it would commit sufficient funds to implement the entire Homeownership Zone proposal as submitted to HUD. The approved proposal committed the city to develop 381 new homeownership units, 51 percent of which would be sold to low-and-moderate income families, on various sites identified within the American Market Place/Wrigley Homeownership Zone boundaries.

Since the approval of its Homeownership Zone in 1998, the City of Long Beach has taken very limited action to implement the homeownership portion of its approved proposal. To date, only 43 homeownership units have been completed of which 15 units or 35 percent have been sold to low-and-moderate income families. Forty of these units are located within a single townhouse development, Atlantic Hill, located in the American Market Place portion of the approved zone. The city expended \$1,600,000 or 84 percent of its HOZ grant on this development. Only 20 percent of the units were sold to low-and-moderate income families.

On a number of occasions, HUD has expressed its concern about the City of Long Beach's lack of progress in implementing its approved proposal. Most recently, on July 18, 2001, Mary Kolesar, the Director of HUD's Office of Affordable Housing Programs, met with you to discuss these concerns. HUD's September 7, 2001, letter summarized this meeting and authorized a six month extension for the city to submit an acceptable amendment to its approved Homeownership Zone proposal which would meet the NOFA requirements and maintain the city's competitive rating. HUD's letter reminded the city that 51 percent of the homeownership units must be sold to low-and-moderate income homebuyers, as required by the NOFA.

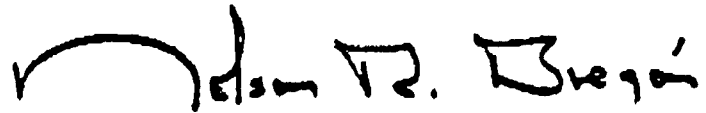
On February 1, 2002, the City of Long Beach submitted its amendment request. The city proposes a doubling in geographic size of the Homeownership Zone boundaries and the addition of four new target areas. The city proposes no homeownership housing in the originally approved American Market Place neighborhood, and no additional homeownership housing in the Wrigley neighborhood. Of equal concern, the city's proposal focuses on the development of market rate housing. Only 33 of 769 of the homeownership units, or 4 percent are proposed for low-and-moderate income families. The HOZ NOFA specifies that at least 51 percent of the homeownership units must be sold to low-and-moderate income families.

HUD finds that the City of Long Beach's submission proposes revisions of such scope as to constitute a new Homeownership Zone proposal. HUD has no authority to accept new proposals.

HUD is granting the City of Long Beach an additional forty-five days from the date of this letter to submit an acceptable amendment to the approved Homeownership Zone that is consistent with the approved HOZ boundaries and meets the requirements of the July 7, 1997, NOFA. In accordance with the HOZ amendment instructions dated July 8, 1999, the city should address how the requested amendment would revise or not revise its original response to the Criteria for Rating Applications contained in the July 7, 1997 NOFA, and attach the proposed revised pages of its HUD-approved grant application.

As stated in HUD's September 7, 2001, letter, the City of Long Beach also has the option of declining the Homeownership Zone designation and repaying to HUD any grant funds it has expended.

Sincerely,

A handwritten signature in black ink that reads "Nelson R. Bregón". The signature is written in a cursive style with a large, sweeping arch over the first part of the name.

Nelson R. Bregón  
Deputy Assistant Secretary  
for Grant Programs