

CITY OF LONG BEACH

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HENRY TABOADA
CITY MANAGER

May 1, 2002

Mr. Nelson R. Bregon
Deputy Assistant Secretary for Grant Programs
U.S. Department of Housing and Urban Development
Washington, D.C. 20410-7000

Dear Mr. Bregon:

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

Thank you for allowing us to resubmit an amendment to the City of Long Beach's Homeownership Zone (HOZ) grant. Pursuant to your letter of March 5, 2002 and after subsequent conversations with HUD staff, we investigated and analyzed all the possible options for us to submit an amendment to the approved HOZ that is consistent with the approved HOZ boundaries and still meet the requirements of the July 7, 1997 NOFA.

The City of Long Beach has a tremendous need for affordable housing. It is our mission to maximize the use of housing funds to benefit the greatest number of Long Beach residents with the greatest housing need. We are currently working on a Housing Action Plan (HAP) that is based on the City's current housing needs – reviewing all affordable housing resources, planning the areas of focus for the next five years, and communicating with the community regarding the proposed plan. As we move forward with the HAP, we recognize that while home ownership is an important piece of affordable housing, there are fewer opportunities for leveraging funds in ownership projects than in rental projects, resulting in a need for deeper City subsidy to make an ownership unit truly affordable to very low- and low-income households. Our analysis indicates that a 35-unit ownership project, with 51% of the units affordable to low-income households, requires a subsidy of \$184,000 per unit. This same 35-unit project requires a subsidy of only \$48,500 per unit if developed as a rental project with 100% of the units affordable to very-low income households. Therefore, based on the more recent housing needs analysis, we have concluded that home ownership projects are not the only type of projects needed in the HOZ and that the City's resources can be best used by providing a mix of housing types for both owners and renters.

That being said, we believe that we can still accomplish the homeownership and revitalization goals of and amended HOZ. This amended HOZ could produce new ownership and rental units within the existing HOZ boundary in four ways: 1) by acquiring and developing the two blocks along Atlantic Avenue fronting the Renaissance Walk (where the City invested \$1.6 million of HOZ funds); 2) by acquiring and rehabilitating existing single-family and duplex homes currently occupied by renters and resell them to low- to moderate-income first-time homebuyers; 3) by providing direct financial assistance to low- and moderate-income first-time homebuyers; and 4) by encouraging private housing development of vacant and underutilized sites along Long Beach Boulevard (a transit corridor).

Over the next three years, the new development along Atlantic Avenue will produce approximately 82 units, of which 35 would be ownership and 47 rental. The ownership units would be similar in style to the Atlantic Avenue and Hill Street Townhomes included in the original HOZ plan. The rental units will be similar in density, and will provide well-managed housing to a lower income group. The second method will initially generate 18 ownership units, based on our latest housing market inventory, with additional units as sales in the HOZ occur. We also expect to produce another 60 units through a combination of acquisition/rehabilitation/resale and first-time homebuyer assistance over the next three years. The total of these efforts along with existing and under construction projects totals 205 units.

In addition, we are working with a few developers currently interested in transit-based housing along Long Beach Boulevard. We did not include their potential project(s) in our housing unit count since it is more speculative. However, we anticipate that there is potential for at least another 40-50 units along that corridor.

In summary, we propose the following:

1. Reduce the number of units from 381 to 205 units (this is directly proportional to the HOZ grant amount requested and actual grant awarded);
2. Allow the creation of homeownership opportunities by new construction, acquisition and rehabilitation and resale to low- and moderate-income first-time homebuyers, and direct financial assistance to low- and moderate-income homebuyers;
3. Extend the grant period for another three years to allow completion of the new housing development; and,
4. Reduce the requirement that 51% of the HOZ grant assisted units be targeted to low-income households and replace it with 30% low-income (< 80% of AMI) and 21% moderate-income (< 120% AMI).

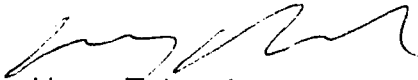
Mr. Nelson Bregon

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We hope that you will find this proposal acceptable. Upon your conceptual approval of this proposed amendment, we will submit all the documents you require.

Once again, we appreciate the opportunity to work with you and your staff in making affordable housing happen in Long Beach.

Sincerely,



Henry Taboada
CITY MANAGER

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

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