

# CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

333 WEST OCEAN BOULEVARD

LONG BEACH, CALIFORNIA 90802

(562) 570-6711

FAX (562) 570-6583

HENRY TABOADA  
CITY MANAGER

September 30, 2002

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

**SUBJECT: American Marketplace/Wrigley Neighborhood  
Homeownership Zone - Grant No. HZ97-011**

Dear Mr. Bregon:

The City of Long Beach has carefully considered your letter dated July 1, 2002 concerning the Homeownership Zone (HOZ) grant amendment the City has been discussing with HUD staff during the past year. Your letter makes it very clear that the kind of amendment the City believes is necessary to accomplish the original grant objectives, in light of changed local circumstances, will require preparation of extensive documentation so that HUD staff can evaluate the amendment against the original 1997 program rating criteria. More importantly, you express doubts about whether such an evaluation would result in a positive decision. Considering, further, that it will not be possible for the City to meet the remaining grant agreement objectives by December 2002, my staff and I have reluctantly come to the conclusion that the best course of action for the City of Long Beach is to close out the grant agreement on terms that are mutually acceptable to HUD and the City.

I am proud of the success that Long Beach has had in meeting many of its HOZ grant objectives for the American Marketplace/Wrigley Neighborhood. These include significant economic revitalization, substantial private and public investment, and some new residential development, including for-sale housing that is affordable to low-income households. We completed construction of the Wrigley neighborhood shopping center, a new elementary school, the MTA transit station and parking structure, the Renaissance Walk childcare center, St. Mary Medical Center hospital expansion, a community garden, and 44 units of new ownership housing. 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 have assisted in the development of several new small businesses, two new Head Start facilities, and an expanded high school facility.

As you know, Long Beach attempted to achieve program objectives comparable in scope to other HOZ grantees, but with far less HOZ program support, and none of the Section 108 loan guarantees that were awarded to 1996 grantees. The City's HOZ grant award of \$1.9 million was the smallest in both funding rounds. This left the City particularly vulnerable to changes in conditions affecting local government and the private sector support for the program. And there were, in fact, very substantial adverse changes. These included the lingering effects of the closures of the Naval Base, Shipyard and Hospital, the 1992 civil unrest, the 1990s recession, and the resulting lack of growth in tax increment revenues (and the portion of them available for affordable housing) in our Central Redevelopment Project Area. In addition, three sites on which 112 ownership units were planned, or more than one-quarter of the planned total, were instead developed by private parties with commercial projects.<sup>1</sup>

In assessing our affordable housing strategy in light of these changes, we determined that, while homeownership must continue to be a component of that strategy, the amount of subsidy required to produce affordable ownership opportunities is inconsistent with the scale of housing need of the City's low-income residents. For example, the City can produce a unit of rental housing affordable to a low-income household with a subsidy that is about one-quarter of the amount required to produce a unit of ownership housing affordable to the same low-income household.<sup>2</sup> Our scarce funding resources, therefore, can be used to leverage a significantly larger number of affordable rental units than ownership units.

The City has, nevertheless, facilitated the production of 44 new ownership housing units in the American Marketplace/Wrigley Neighborhood, including 14 ownership units purchased by low-income households. Ten of these units were provided in the 40-unit Renaissance Walk development at Atlantic and Hill Streets. Four additional ownership units have been developed by Habitat for Humanity.<sup>3</sup>

The City drew down \$1.6 million of its \$1.9 million grant award to fund land acquisition for the Renaissance Walk project, consistent with its grant agreement.<sup>4</sup>

---

<sup>1</sup> These include the 36-unit Willow single-family project site, the 38-unit 20<sup>th</sup> and Long Beach townhouse project site and the 38-unit Elm and Anaheim townhouse project site.

<sup>2</sup> As noted in my letter to you dated May 1, the City can produce a rental unit affordable to a low-income household with \$48,500 in subsidy, as compared with \$184,000 to produce an affordable unit of ownership housing.

<sup>3</sup> Three homes have already been completed and sold to very low-income households. A fourth home has been recently completed and sold to a very low-income household.

<sup>4</sup> The remaining \$300,000 in HOZ grant funds, which were not drawn down, were intended to help finance the other housing development projects included in the HOZ plan.

The project was originally planned as a 53-unit townhouse project, in which 51 percent (or 27) of the units would be sold to low-income households. Thus, the affordable units were planned to be produced at a cost of about \$59,259 per unit in HOZ funds.<sup>5</sup>

During the project approval process, the Renaissance Walk was changed from a 53-unit townhome project to a 40-unit detached single-family development in response to community input. The change resulted in a higher cost per unit and a higher subsidy for each unit to be affordable to a low-income household. As a result, only ten of the units at Renaissance Walk were deed-restricted to low-income households. It was anticipated at that time that the balance of the 51% low-income requirement would be fulfilled by other housing development projects in the Zone.

The City has facilitated completion of four additional ownership units in the HOZ project area, developed by Habitat for Humanity, that were purchased by very low-income households. The production of these units was originally to have been assisted with HOZ funds, but the City found additional private sources to use instead. This means that of the 27 units of affordable ownership housing originally intended to be provided with the drawn down HOZ funding, 14 units have actually been produced.

The City acknowledges that some, but not all, of the HOZ program objectives have been achieved, and that just over half the planned 27 affordable ownership units intended to be produced with assistance from drawn-down HOZ funds were actually produced. If HUD determines in closing out the grant that any repayment of HOZ funds drawn down to date is required, the City proposes that the amount be related to the unfulfilled number of affordable ownership units at Renaissance Walk, taking into account the four Habitat for Humanity homes for which HOZ funds were not actually used. Accordingly, since 13 of the planned 27 units were not provided, we propose that any required repayment not exceed \$770,370 of the grant funds drawn down.<sup>6</sup> We further propose that any repayment HUD may request be structured as a reduction in future HOME funds to the City over a 10-year period, including a reasonable interest rate over that term. Should HUD prefer an alternative formulation, we urge that it likewise consider the affordable homeownership program objectives that the City did achieve.

My staff and I will make ourselves available to meet with you or your designee to discuss the terms and conditions for a satisfactory grant close out. Thank you for

---

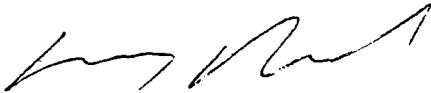
<sup>5</sup>  $\$1,600,000 / 27 = \$59,259.26$

<sup>6</sup>  $[(27 \text{ planned} - 14 \text{ delivered}) / 27 \text{ planned}] \times \$1,600,000 = \$770,370.24$

Mr. Nelson R. Bregon  
U.S. Dept. of Housing and Urban Development  
Page 4

considering our previous grant amendment requests and working with us to produce affordable ownership housing for low-income residents of Long Beach.

Sincerely,

A handwritten signature in black ink, appearing to read 'Henry Taboada', with a stylized flourish at the end.

Henry Taboada  
CITY MANAGER

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