



CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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GERALD R. MILLER
ACTING CITY MANAGER

January 30, 2003

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:

We received your letter dated November 1, 2002 and we appreciate your willingness to allow the City of Long Beach to retain a portion of the HOZ grant it has expended.

In our September 30, 2002 letter, we proposed to repay HUD \$770,370, which represents an \$829,630 reduction from the \$1,600,000 HOZ grant expended. This proposed reduction was calculated based on the 14 low- and moderate-income units produced versus the 27 units that should have been produced in the Renaissance Walk project. We also proposed to repay HUD over a period of ten years.

Your November 1, 2002 letter counter-offered the City with a repayment of \$1,380,577, which represents a reduction of \$219,423 from the \$1,600,000 HOZ grant expended. The amount was reduced based on an average HOZ grant amount that would have been invested in each unit had the 381 planned homeownership units been produced. HUD further requires that the payment plan not exceed three years.

While you may be inclined to believe that the City has not been actively implementing the homeownership portion of its HOZ proposal, the reality is not so. Circumstances outside of our control have made it difficult and quite expensive to pursue the development projects we thought would produce new homeownership units. The expenditure of \$1,600,000 in one project, i.e., Renaissance Walk, was fully disclosed to and approved by HUD. We believe that not restricting 51% of the units at Renaissance Walk to low- and moderate-income households was the one area we had miscalculated. At that time it was anticipated that the balance of the required 51% low- and moderate-income units would be made up by other planned housing development projects in the Zone.

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We have carefully reviewed your letter and evaluated your counter proposal. We appreciate your acknowledgment of the fact that the City completed 44 units, of which 14 units (or 32%) were sold to low and moderate-income households.

We propose that HUD allow the City to retain 32% of the \$1,600,000 HOZ grant expended, in proportion to the number of low- and moderate-income units it produced, or a reduction by \$512,000 of the required repayment. We propose a repayment amount of \$1,088,000 over the next five years. Considering that we cannot use HOME or other federal funds to repay the HOZ grant, the additional time requested will enable us to diminish the impact of this financial obligation on our ongoing and current programs and projects. This is especially needed considering current budget proposals at the State level, which may have significant adverse impact to our funding sources.

Once again, my staff and I will make ourselves available to meet with you or your designee to finalize the HOZ grant repayment terms. If you have any questions, please call me at (562) 570-6711 or Melanie Fallon at (562) 570-6570.

Sincerely,



GERALD R. MILLER
ACTING 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
Wayne Seiichi Itoga, Program Manager, HUD Los Angeles
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Melanie Fallon, Director of Community Development, City of Long Beach
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