



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

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MAR 26 2003

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

Mr. Gerald Miller
Acting City Manager
City of Long Beach
333 West Ocean Boulevard
Long Beach, CA 90802

Dear Mr. Miller:

SUBJECT: American Market Place/Wrigley Neighborhood
Homeownership Zone Grant Repayment
HZ97-011

I received your letter of January 30, 2003, responding to HUD's November 1, 2002, letter. HUD advised the city that HUD was terminating its June 30, 1998, Homeownership Zone (HOZ) grant agreement with the city. HUD also requested that the city submit a payment plan to return to HUD \$1,380,577 in disallowed HOZ grant expenditures within three years.

The city of Long Beach proposes that the disallowed amount be reduced to \$1,088,000 and that the city be permitted to repay this amount over five years. The city determined the disallowed amount by multiplying the percent of low-and-moderate income HOZ units produced (14 units/44 completed units) times the \$1,600,000 in HOZ grant funds expended, resulting in \$512,000 in allowed HOZ costs and \$1,088,000 in disallowed HOZ costs.

The city states that the expenditure of \$1,600,000 in HOZ grant funds for one project, Renaissance Walk, was fully disclosed and approved by HUD. I wish to clarify that HUD reluctantly approved the city's request, only after the city firmly committed to HUD that it was prepared to implement the entire HOZ plan for 381 units and had identified alternative funding sources (May 22, 1998, HUD approval letter and June 22, 1998, commitment letter from City Manager James Hankla).

Nevertheless, HUD is willing to accept the City's methodology for prorating eligible HOZ costs, *provided the city returns \$1,088,000 in HOZ grant funds to HUD within three years.*

Within thirty days from the date of this letter, please submit to HUD a payment plan for returning \$1,088,000 in HOZ grant funds to HUD by April 30, 2006.

If there are any questions, please contact me at (202) 708-1506 or the Office of Affordable Housing Programs at (202) 708-2684.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson R. Bregón". The signature is stylized with a large, sweeping arch over the first part of the name.

Nelson R. Bregón
Deputy Assistant Secretary
for Grant Programs

CC: Melanie Fallon, Director of Community Development, City of Long Beach
Beth Stochl, Housing Services Bureau Manager, City of Long Beach