

THE SUN-GAZETTE

Lindsay to pay \$3.7M for housing blunders

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By: Paul Myers

Lindsay administration, council agree to repay \$3.7 million in misspent housing grant funds, some of which went to city employees and employee relatives through 2004 and 2008

LINDSAY – Lindsay’s annual city budget will be almost \$90,000 lighter over the next 30 years thanks to a previous administration’s misspending millions of housing grant funds.

According to a city staff report on the item California Department of Housing and Community Development (HCD) staff discovered, in June 2018 and December 2018, that the city was in “non-compliance” with grant program funds. HCD also concluded the city failed to meet numerous programmatic requirements and contractual obligations owed to them.

“These actions constituted defaults in each of the [49] city agreements and require that the city repay to HCD the grant programs funds,” the city staff report stated.

The Lindsay City Council voted unanimously during their Sept. 8 meeting to settle with HCD to pay back \$3.79 million in misspent housing grant money. Negotiations had taken place over the course of 2019 and into 2020. Delays in negotiations occurred entirely because of the global pandemic interrupting workflow for the two agencies, according to Lindsay city manager Joe Tanner.

In an agreement with HCD signed in September by Tanner, HCD staff found that, “the city paid for city-sponsored activities and used program income to cover operating deficits in its general fund, both of which are ineligible uses of grant program funds.” The agreement goes on to state that, “HCD also determined that the city failed to meet numerous programmatic requirements and contractual obligations owed to HCD.”

The Lindsay staff report stated that the city admitted full liability, acknowledging and agreeing they owe: \$180,100 to the CalHome program; \$2,764,690 to the Community Development Block Grant program; and \$845,996 under the Home program.

The city agreed to pay the total in annual installments over 30 years at \$89,360 per year. \$10,000 was due upon signing. Tanner said the money will be paid out of the city’s general fund. And missing almost \$90,000 per year will be a bit of burden on city finances.

“\$90,000 a year could be an extra employee. An extra service to the community...it could be a number of items. Now it’s an obligation for HCD. So that’s tough,” Tanner said.

However, Lindsay is catching a break on the deal overall. HCD agreed to apply a \$1.1 million credit to the \$3.7 million balance conditional upon Lindsay making full and timely payments. As well. If the city meets all of their payments on time through 2050 the 9% annual interest rate will be waived entirely.

Tanner said HCD had given the city rather favorable terms overall.

“They did forgive a million of it. And its interest free so the terms of the deal are very favorable,” Tanner said. “I’ll say that if I were in negotiations from day one, I would have been surprised that they were going to go out [30 years].”

He said that HCD viewed Lindsay as a “financially challenged” city and asked themselves if they wanted to get something back or press really hard and perhaps get nothing. Tanner added that resolving the problem, even though it was going to cost him \$90,000 a year, was better than the waiting game.

“I’m glad it’s done,” Tanner said.