

# City of Hesperia

## STAFF REPORT



**DATE:** December 19, 2017

**TO:** Mayor and Council Members

**FROM:** Nils Bentsen, City Manager

**BY:** Rod Yahnke, Economic Development Manager  
Juli Rull, Senior Management Analyst

**SUBJECT:** Amend the FY 2017-18 General Fund Budget to Reimburse the U.S. Department of Housing and Urban Development (HUD)

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### RECOMMENDED ACTION

It is recommended that the City Council: (i) approve Resolution 2017-057 amending the City's FY 2017-18 General Fund Budget to reimburse the City's line of credit with the U. S. Department of Housing and Urban Development (HUD); (ii) authorize a budget amendment to increase the City's Community Development Block Grant (CDBG) expenditure account 251-29-700-7142-8000; and (iii) authorize the City Manager or Economic Development Manager, or their designee, to execute and transmit all necessary documents required to complete the reimbursement of \$665,775.

### BACKGROUND

The U.S. Department of Housing and Urban Development (HUD) requires all entitlement communities receiving Community Development Block Grant (CDBG) funds to prepare and submit a Consolidated Plan every five years to establish a unified, strategic vision for economic development, housing and community development activities. The Consolidated Plan is carried out through Annual Action Plans which provide a concise summary of the actions, activities, and the resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan.

One such activity in the 2012/13 Annual Action Plan included the purchase of real property for an Intergenerational Community Center. This Community Center was planned to provide various activities for the low/mod residents in the area. However, on April 21, 2015 the City Council decided to cancel this activity in favor of economic development programs aimed to stimulate business growth and the creation of jobs. The City Council approved a Substantial Amendment to the 2012/13 Annual Action Plan canceling the Intergenerational Community Center Property Acquisition activity and reprogrammed the funds towards these economic development initiatives.

### ISSUES/ANALYSIS

Although the City had previously decided not to pursue the Intergenerational Community Center and the 2012/13 Action Plan was amended to reflect this decision, HUD was never reimbursed the \$665,775 used to purchase the real property. Since the funds were utilized for an activity that did not come to fruition, HUD requires that the City reimburse its line of credit with the U.S. Treasury with non-federal dollars.

The City is in negotiations to sell the Intergenerational Center to San Bernardino County Special Districts. This Purchase and Sale Agreement will be presented to City Council in the near future. However, if the transaction is consummated as presently structured, the General Fund will be replenished over the next five years through annual installments.

### **FISCAL IMPACT**

An appropriation of \$665,775 from the FY 2017-18 General Fund Budget (account 100-19-220-0000-7749) is needed to reimburse HUD/CDBG for the funds used to purchase the real property. An additional appropriation of \$665,775 is needed for the FY 2017-18 CDBG Budget (account 251-29-700-7142-8000) in order to reprogram the reimbursed funds for use in the FY 2017-18 CDBG Street Improvement Project.

### **ALTERNATIVE(S)**

1. Provide alternative direction to staff

### **ATTACHMENT(S)**

1. Resolution No. 2017-057