

ITEM #:	<u>31</u>
DATE:	<u>04-14-26</u>
DEPT:	<u>P&amp;H</u>

### COUNCIL ACTION FORM

**SUBJECT: PUBLIC HEARING FOR SUBMITTAL OF A SUBSTANTIAL AMENDMENT TO 2025-26 CDBG/HOME ANNUAL ACTION PLAN TO DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)**

**BACKGROUND:**

At the March 10, 2026 meeting, the City Council approved having staff prepare a substantial amendment to the 2025-26 CDBG/HOME Annual Action Plan to reallocate funds to expand the Public Infrastructure Improvement Program. The reallocation would provide funds to a new water main project to remove deteriorated water lines (including lead services) and install new water lines within HUD-designated Low and Moderate Income Census Tract #10. Note that at that time, the budget was estimated at \$541,950, but has since been revised to \$482,419 for the final approval.

The proposed project is consistent with the current Public Infrastructure program of the Action Plan, but the proposed project and its funding are not included in the current Plan. **Although the project could be included in the upcoming proposed FY 2026-27 Annual Action Plan, it would be difficult to complete the project next fiscal year if it is not started this summer, before the next Plan is likely to be approved, due to delays in HUD funding announcements.**

The project is located within the Oak-Riverside Neighborhood (Census Tract #10), which is one of the City's older core neighborhoods. CDBG funds would be used to replace existing 4-inch water mains with new 8-inch mains and to install new water services with copper piping along S. 3rd Street (between S. Russell and S. Oak), and along S. Maple (from Lincoln Way to S. 4th Street). This project will improve water quality, reduce the number of lead service lines, and increase firefighting service capacity in this tract, benefiting a HUD-identified LMI population. This project is currently outlined in the FY 2026-27 Capital Improvement Plan.

Additionally, a Phase I Historic Architectural Survey has been completed for these two streets, which should make it easier to obtain project approval from the State Historic Preservation Office (SHPO). The City has recently completed multiple blocks of water main replacements elsewhere in this area.

This proposed project is an eligible activity under the City's CDBG program. However, since this specific project was not listed in the adopted 2025-26 Action Plan activities, and the anticipated cost exceeds \$100,000, it requires a "substantial" amendment to be approved by the City Council. Substantial amendments require public notice of a public hearing for City Council approval.

To accommodate the proposed amendment, staff recommends the following adjustments to the budget program activities, some of which will not be fully implemented in order to fully fund the additional water main project. Attachment 1 shows the proposed amended program

budget for the 2025-26 Action Plan program activities. Attachment 2 describes the changes to approved programs that are necessary to support the proposed project. Major changes include: Single Family Housing Rehabilitation Program (\$248,000); Public Improvements-Sidewalk Program (\$67,748); and the Homebuyer Assistance Program was reduced to \$204,512, a decrease of \$29,488.

Staff's rationale for adding the additional water main improvements project in LMI Census Tract 10 as additional project activity is as follows:

- The proposed project is located in a vital core neighborhood that is located in an LMI census tract where the public utilities are in very poor condition, and therefore is consistent with the goals and priorities in the 2024-29 Consolidated Plan to benefit low-income residents in the community positively.
- The activity will continue to meet the City Council's goals of strengthening neighborhoods.
- The project continues the investment in improving both the housing stock and the infrastructure needs of vital core neighborhoods.
- The proposed project would result in the City's ability to meet HUD's 2026-27 timely expenditure requirements, as more lots would be sold in the Baker Subdivision, and allow for a quicker turnaround for program income expenditures.

The substantial amendment to the Action Plan required a 30- day public comment period and a public hearing before the City Council, before it can be submitted to the HUD for approval. **The 30-day comment was from March 13, 2026, through April 11, 2026. No comments have been received as of the writing of this report. If comments are received before the public hearing, they will be provided to the Council.**

#### **ALTERNATIVES:**

1. Approve the submittal of a substantial amendment to the 2025-26 CDBG/HOME Annual Action Plan to reallocate funds (\$482,418) from various activities in the current Action Plan to implement a Public Infrastructure Improvement Activity to install new water mains in Census Tract 10, along S. 3rd Street (between S Russell and S Oak), and along S Maple (from Lincoln Way to S 4th Street).
2. Approve the submittal of a substantial amendment as described in Alternative #1, with modifications.
3. Reject adoption of a resolution approving the submittal of a substantial amendment to the 2025-26 CDBG/HOME Annual Action Plan.

#### **CITY MANAGER'S RECOMMENDED ACTION:**

**The investment of CDBG dollars is a vitally important resource not only to address the affordable housing needs of LMI households in the community, but also to ensure existing affordable housing is located in neighborhoods where the public infrastructure is maintained in decent, safe, and sanitary condition. Additionally, the City's responsibility to expend its CDBG dollars to meet HUD's annual timeliness requirements is of the utmost importance at this time, and infrastructure projects have the largest financial impact of meeting these requirements at this time. Therefore, it is the recommendation of the City Manager to approve Alternative #1.**

**ATTACHMENT(S):**

[Att. 1 CDBG 2025-26 Budget AMENDED 4-10-26.pdf](#)

[Att. 2 CDBG 2025-26 Amendment Proposal Comparison.pdf](#)