

ITEM #:	<u>44</u>
DATE:	<u>03-10-26</u>
DEPT:	<u>P&H</u>

COUNCIL ACTION FORM

SUBJECT: SUBSTANTIAL AMENDMENT TO THE CITY'S 2025/26 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ANNUAL ACTION PLAN

BACKGROUND:

As part of the creation of the proposed FY 2026-27 Annual Action Plan, City staff evaluated how planned projects can be accomplished within HUD timelines for receiving funding and expenditures that will meet the timeliness test.

In discussions with the Public Works Department, it was discovered that an opportunity became available where CDBG funds could be used to provide additional public infrastructure improvements (removal of water mains and replacement of water lines (including lead services) in HUD-designated Low and Moderate Income Census #10 (see attached map).

The proposed project is consistent with the current Public Infrastructure program of the Action Plan, but the actual project and its funding is not identified in the current Plan. Although the project could be included with the upcoming proposed FY 2026-27 Annual Action, it would be difficult to accomplish 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 funding announcements by HUD.

Census Tract 10 Includes the Oak Riverside Neighborhood, which is one of the city's older core neighborhoods. The tract has 4-inch water mains that are aged and deteriorating, along with a high number of homes with lead services from the main to the house. There has also been a high number of water main breaks in this tract, which have left residents without water, with low water pressure, and with rusty water quality. The City has recently completed multiple blocks of water main replacements in this area.

CDBG funds would be used to replace the old 4-inch mains with new 8-inch mains and to install new water service 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 lead services, and increase firefighting service capacity in this tract, and benefit a HUD-identified LMI population. This project is currently outlined as a FY 2027-28 project in the 2026-31 Capital Improvement Plan.

The area has been previously reviewed by a Phase I Historic Architectural Survey that includes these two streets, which should make it simpler to receive project approval from the State Historic Preservation Office (SHPO) in a timely manner.

This proposed project is an eligible activity under our CDBG program. However, since this specific project is not listed in our adopted 2025-26 Action Plan activities, it will require a "substantial" amendment approval from HUD to be added. The estimated cost is approximately \$541,950.

To facilitate the amendment, staff is proposing to change funding of existing activities that will not be fully implemented in the next three months to fund the additional water main project. This includes modifying the First Time Homebuyer, Public Facilities for Non-Profits, Single Family Rehab, and Sidewalk Rehab. However, the First Time Homebuyer, Public Facilities for Non-Profits, and Single Family Rehab activities are proposed for the upcoming FY 2026-27 when new funding will be available. **Attachment 1 shows the proposed amended program budget for the 2025-26 Action Plan program activities.**

A substantial amendment to the Action Plan requires a 30-day public comment period and a public hearing at the City Council before it can be submitted as an additional activity to the HUD Field Office. Staff would anticipate moving quickly to complete the amendment and start the public comment and public hearing process in order to facilitate the project starting this summer.

ALTERNATIVES:

1. Direct staff to proceed with amending the 2025-26 CDBG Annual Action Plan with the proposed projects as outlined in Attachment 1 and set a date of public hearing for April 14, 2026.
2. Direct staff to proceed with amending the 2025-26 CDBG Annual Action Plan with the proposed projects as outlined in Attachment 1, and set a date of public hearing for April 14, 2026, with modifications.
3. Reject the 2025-26 CDBG Annual Action Plan with the proposed projects as outlined in Attachment 1 and refer this item back to staff for further information.

CITY MANAGER'S RECOMMENDED ACTION:

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 our 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 our neighborhoods.
- 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.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1.

ATTACHMENT(S):

[CDBG 2025-26 Budget AMENDED.pdf](#)

[Comparison of 2025-26 Activities with Changes.pdf](#)