



**CITY OF SALINAS  
COUNCIL STAFF REPORT**

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**DATE: MARCH 24, 2026**

**DEPARTMENT: COMMUNITY DEVELOPMENT**

**FROM: LISA BRINTON, DIRECTOR**

**THROUGH: ORLANDO REYES, ASSISTANT DIRECTOR**

**BY: VINCENT MONTGOMERY, PLANNING MANAGER**

**MONICA FLORES-PONCE, COMMUNITY DEVELOPMENT  
ANALYST**

**TITLE: APPLICATION TO THE CALIFORNIA DEPARTMENT OF  
HOUSING AND COMMUNITY DEVELOPMENT FOR THE  
PROHOUSING INCENTIVE PROGRAM ROUND 4**

**RECOMMENDED MOTION:**

A motion to approve a resolution authorizing:

1. The submission of a Prohousing Incentive Program (PIP) Round 4 application to the California Department of Housing and Community Development (HCD) in the amount of \$1,250,000.

And if awarded,

2. The City Manager or designee to accept PIP Round 4 funds and;
  - Increase the expenditure appropriation to the Community Development Department – Housing Division based on awarded budget and activities; and
  - Increase the revenue appropriation by the amount awarded to Intergovernmental State Grants.
3. The City Manager or designee to use awarded HCD PIP Round 4 funds for the rehabilitation of the El Rey Motel, Mortgage Down Payment Assistance Program or any other activities eligible under the PIP Round 4 program guidelines and undertake all actions and execute all documents necessary to implement such activities consistent with HCD requirements.

**EXECUTIVE SUMMARY:**

On September 30, 2025, the California Department of Housing and Community Development (HCD) released a Notice of Funding Availability (NOFA) and application for its Prohousing Incentive Program (PIP) Round 4 to support the creation and preservation of affordable housing. The Application deadline is March 31, 2026. Eligible applicants who have not received PIP funding in prior funding rounds will be given funding priority with any remaining amounts then becoming available to previously awarded jurisdictions. The City of Salinas received Round 1 PIP Funding in the amount of \$1,650,000 for the creation of an Affordable Housing Program and a First Time Homebuyer Down Payment Assistance Program. Subsequently, the City submitted PIP applications for Round 2 and 3 to HCD but did not receive funding.

Under PIP Round 4 guidelines, the City could receive an award of up to \$1,250,000 to support a variety of eligible activities including assisting people who are experiencing or at risk of homelessness through rapid rehousing, rental assistance, navigation centers, emergency shelters; as well as the new construction, rehabilitation, and preservation of permanent and transitional housing. Funding may also support homeownership opportunities, such as down payment assistance. Application criteria require City Council approval of both City and State resolutions authorizing application submission and grant acceptance.

#### BACKGROUND:

The Prohousing Incentive Program (PIP) was presented to the Housing and Land Use Committee (HLUC) on March 10, 2026, where staff provided an overview of the PIP program, the City's eligibility, and the proposed use of funds. Feedback and recommendations from the HLUC have been incorporated into this report to ensure alignment with committee priorities and to strengthen the City's application.

PIP Round 4 includes approximately \$8 million in competitive funding available to jurisdictions that hold a current Prohousing Designation. Based on the State's funding methodology, the City of Salinas is positioned to receive an estimated \$1,250,000 should this application be approved.

If awarded PIP Round 4 funds, the City intends to use the funds to support rehabilitation of the El Rey Motel, which was purchased in 2024 using American Rescue Plan Act (ARPA) funds with the intention of converting the property into transitional and emergency housing for individuals experiencing, or at risk of homelessness. Since the purchase, no funding has been identified to make the property operational, leaving it vacant. The site has suffered vandalism and break-ins, resulting in further deterioration and highlighting the urgency of rehabilitation and activation. Completing these improvements is necessary to prepare the property for eventual transfer or sale to a qualified service provider.

To secure funding, the City entered into a Memorandum of Understanding (MOU) with the County of Monterey to pursue Encampment Resolution Funds (ERF) Round 5, which, if awarded, would support the rehabilitation of the El Rey Motel to turn it into an emergency shelter for individuals from the encampment and identify a service provider. However, HCD has not yet released the ERF-5 application. To proactively address this need, the City has been seeking alternative funding opportunities to rehabilitate the El Rey Motel.

In the previous PIP funding award to the City, HCD demonstrated flexibility in amending the scope of work if a project proved infeasible. The City is also applying for PIP Round 4 funds for the City's Mortgage Down Payment Assistance Program (MDPAP), and if rehabilitation of the El Rey Motel is not feasible or other funds become available, any portion of the funds not used for the motel could be redirected to support MDPAP or any other activity eligible under the PIP Round 4 program guidelines.

The MDPAP was approved by City Council on January 27, 2026, and authorized the use of Permanent Local Housing Allocation (PLHA) Program funds to provide deferred loans to eligible first-time homebuyers. Similar to PLHA, PIP funds allow down payment assistance to households earning up to 150% of the Area Median Income. Submitting the PIP Round 4 application supports the City's efforts to secure funding that will address urgent housing needs, whether through rehabilitating the El Rey Motel for individuals experiencing homelessness or expanding support for first-time homebuyers.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No.

STRATEGIC PLAN INITIATIVE:

Submission of a PIP Round 4 Program application to HCD supports City of Salinas 2025 Strategic Plan Goals of *Housing* by providing critical funding to increase housing for unsheltered residents and assist working families to achieve homeownership.

DEPARTMENTAL COORDINATION:

This agenda item was prepared by the CDD's Housing and Community Development Division in collaboration with HCD.

FISCAL AND SUSTAINABILITY IMPACT:

Acceptance of HCD PIP Round 4 funds, if awarded, will result in the establishment of a HCD PIP Round 4 program appropriation and corresponding expenditure and revenue allocation of up to \$1,250,000 to the existing PIP Fund 2958. Housing Division Staff will then work with the Finance Department to set up a program budget based on awarded activities. This application will have no direct fiscal impact on the General Fund.

<b>Fund</b>	<b>General Ledger Number (Operating/CIP)</b>	<b>General Ledger Account Name</b>	<b>Remaining Budget Appropriation</b>	<b>Amount Requested</b>
2958	30.3240-66.3000	Capital Outlays – Building Improvements	\$0	\$1,000,000
2958	30.3240-69.1040	Financial Assistance – FTHB-Down Pymt Assit	\$0	\$250,000
2958	30.3220-55.5232	Intergovernmental – Other State Grant	\$0	\$1,250,000

ATTACHMENTS:

City Resolution

State Resolution

City of Salinas PIP Program Application – Draft