



CITY OF SALINAS

COUNCIL STAFF REPORT

DATE: NOVEMBER 18, 2025

DEPARTMENT: COMMUNITY DEVELOPMENT

FROM: LISA BRINTON, DIRECTOR

THROUGH: ORLANDO REYES, ASSISTANT DIRECTOR

BY: ERIC SOTELO, COMMUNITY DEVELOPMENT ANALYST
VINCENT MONTGOMERY, PLANNING MANAGER
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TITLE: SUBSTANTIAL AMENDMENTS TO THE UNITED STATES
DEPARTMENT OF URBAN DEVELOPMENT FY 2023-2024, 2024-
2025, AND 2025-2026 ANNUAL ACTION PLANS

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing:

1. The submission of Substantial Amendments to HUD Fiscal Year (FY) 2023-2024, 2024-2025, and 2025-2026 Annual Action Plans (AAPs) to the United States Department of Housing and Urban Development (HUD).
2. The allocation of a cumulative \$5,872,412 in unspent HOME & CDBG funds from FY 2023-2024, 2024-2025 and 2025-2026 AAPs to various projects as described in the Summary of Substantial Amendments to HUD FY 2023-2024, 2024-2025, and 2025-2026 AAPs; and
3. The City Manager, or designee, to incorporate any necessary modifications to the Substantial Amendments based on community feedback, and to execute any agreements and related documents for HUD-funded projects and activities as outlined in the Summary of Substantial Amendments to HUD FY 2023-2024, 2024-2025, and 2025-2026 AAPs.

EXECUTIVE SUMMARY:

The City of Salinas is proposing Substantial Amendments (Amendments) to its FY 2023-2024, 2024-2025 & 2025-2026 AAPs to ensure compliance with HUD's expenditure timeliness requirements for the Community Development Block Grant (CDBG) program and to reallocate available HOME Investment Partnership Program (HOME) funds. Amendments include the reallocation of \$1,060,000 in CDBG funds from the Chinatown Neighborhood Improvements Project to shovel-ready public improvement and affordable housing rehabilitation projects that can be completed within the current fiscal year. Additionally, \$4,431,595 in HOME funds, including prior-year allocations and Community Housing Development Organization (CHDO) Set-Aside

funds, will be directed to affordable multi-family rental housing developments identified through the City’s recent 2025 Multi-Family Housing Notice of Funding Availability.

BACKGROUND:

The City of Salinas (City) is an Entitlement City under the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) Program, Emergency Solutions Grant (ESG) Program, and HOME Investment Partnership Program (HOME). CDBG regulations require that each CDBG Entitlement grantee administers its program in a timely manner, which is measured by the rate at which funds are drawn from the grantee’s Line of Credit (LOC). Specifically, 60 days before the end of the program year a grantee’s LOC balance must not exceed one and one-half (1.5) times its annual grant amount. Failure to meet HUD expenditure timeframe may result in a reduction in the City’s future CDBG allocations. The City has not met this expenditure timeliness standard for the past four years and has been working with HUD on an expenditure plan to achieve compliance.

CDBG Substantial Amendment

The City has determined that the Chinatown Neighborhood Improvements Project, which includes activities such as installation of streetlights, ADA curb cuts and resurfacing of some streets in the Chinatown neighborhood area, will not be able to fully expend its allocated funds by April 2026, impacting the expenditure ratio required by HUD. The project currently has \$1,290,817 in CDBG funds allocated through the FY 2022–2023 and FY 2025–2026 Annual Action Plans (AAP). As the project remains in the design phase, construction is not expected to begin until early FY 2026–2027. The project continues to be funded through the design phase.

To ensure timely expenditure of funds, the City proposes reallocating \$1,060,000 of appropriated FY 2025–2026 CDBG funds from the Chinatown Neighborhood Improvement Project to shovel-ready projects. Current proposed sidewalk and curb ramp improvements are currently in the environmental review stage. Staff will recommend that funding for the Chinatown Neighborhood Improvements Project construction phase be restored with future grant allocations in the FY 2026–2027 Annual Action Plan. Reappropriated CDBG funds will be used to support activity delivery and construction of public improvement projects, such as streetlights and ADA sidewalk curb ramps, primarily in low- and moderate-income neighborhoods in the Alisal and rehabilitation of low-income affordable housing development. Table 1 below outlines the proposed FY 2025-2026 projects and corresponding allocations.

Table 1					
CDBG Recommendations					
AAP FY	Project No.	CDBG Project Name	Amount Available	Proposed Adjustment	Recommended
2025-2026	5	Chinatown Neighborhood Improvements	\$1,110,817	\$(1,060,000)	\$50,817
	3	Alisal Neighborhood Revitalization Strategy Area Sidewalk Improvements	\$330,000	\$620,000	\$950,000
	11	Rehabilitation of Affordable Housing	\$0	\$440,000	\$440,000
Total			\$1,440,817	\$0	\$1,440,817

HOME Substantial Amendment

Under the FY 2023–2024 Annual Action Plan (AAP), the City allocated \$2,482,022 in HOME funds to the Republic Café Housing project. However, this project is currently in the pre-development phase, which is being funded through a Regional Early Action Plan (REAP) grant. The pre-development work includes activities across multiple City-owned parcels within the Chinatown Revitalization Plan area, including 34, 36, 38, 37, 39, 40 and 45 Soledad Street. As a result, the HOME funds originally committed to this project can be reallocated to eligible developments identified through the recent multi-family affordable housing NOFA process.

Currently, the Republic Café Housing is in the schematic design phase. The target date for completing the construction plan bid set is the first quarter of 2026. As the project approaches the construction phase, staff will recommend funding be restored from future year grant sources, including the CDBG, HOME, Housing Successor Agency (HSA), Local Housing Trust Fund, and Permanent Local Housing Allocation (PLHA). Additionally, funding will be pursued from the California Department of Housing and Community Development (HCD), and other sources to support the construction. As a result, shifting these funds as proposed will not impact this project. To keep the community informed, public meetings will be held throughout the project's development, with regular updates provided at the monthly Downtown Community Board meetings and to the Housing and Land Use Committee (HLUC).

Additionally, the City has \$1,949,573 in uncommitted HOME funds, including HOME Community Housing Development Organization (CHDO) set-aside funds, from the FY 2024–2025 and FY 2025–2026 AAPs, which were reserved for future affordable housing projects once suitable developments were identified. Altogether, the City has identified a total of \$4,431,595 in HOME funds, available to support affordable multi-family rental housing projects selected through the multi-family affordable housing. These funds will be used to provide gap financing to support activities such as the new construction and rehabilitation of affordable multi-family rental housing and activity delivery. Table 2 below outlines the proposed projects and corresponding allocations. This Substantial Amendment will also help the City meet its timely expenditure for CDBG and expenditure deadline for HOME to remain in compliance with HUD requirements.

Table 2 HOME Recommendations					
AAP FY	Project No.	HOME Project Name	Amount Available	Proposed Adjustment	Recommended
2023-2024	1	Republic Café Housing	\$2,482,022	\$(2,482,022)	\$0
2024-2025	8	Future Affordable Housing Activity	\$1,126,001	\$(1,126,001)	\$0
2025-2026	10	NOFA HOME Affordable Housing	\$823,572	\$3,608,023	\$4,431,595
Total			\$4,431,595	\$0	\$4,431,595

On June 24, 2025, the City issued a Notice of Funding Availability (NOFA) for FY 2025–2026 to solicit proposals for multi-family affordable housing developments. Through this process, the City identified three projects that are eligible and well-positioned to benefit from HOME funding.

Consideration by the City Council of staff's recommendation for preliminary awards are also on this November 18, 2025 agenda, as a separate item.

The draft Substantial Amendments Summary is available for public review during the mandatory 30-day comment period, beginning on or before October 18, 2025, and concluding with the scheduled City Council hearing on November 18, 2025. In accordance with the City's Citizen Participation Plan, public notices in English and Spanish were published in *The Monterey Herald* and on the City's website on or before October 18, 2025. Notices were also posted at the Community Development Department (65 W. Alisal Street), City Hall (200 Lincoln Avenue), and City libraries. Additionally, the draft amendment summary was distributed via email to the Community Development Department's Housing Distribution list. Documents are accessible at the Community Development Department, City Hall, public libraries, and online. Copies may also be requested via email. The public is encouraged to review and provide feedback on the proposed amendment.

The proposed Amendments were presented to the Housing and Land Use Committee (HLUC) on October 21, 2025, providing the public with an opportunity to offer feedback and comments. One public comment was received in favor of the proposed Amendments and the HLUC approved a motion recommending the City Council approval of the proposed Amendments.

CEQA/NEPA 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). However, future discretionary actions may be subject to CEQA. All projects and activities funded with CDBG or HOME funds will be subject to National Environmental Protection Act (NEPA).

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No

STRATEGIC PLAN INITIATIVE:

This action furthers the 2025 Strategic Plan Economic Development objective to revitalize residential and commercial blighted areas through targeted initiatives, the Housing objective to facilitate the addition of low-income housing, and the Infrastructure objective of improving sidewalks by funding public infrastructure improvements and new construction and rehabilitation of affordable multi-family rental housing.

DEPARTMENTAL COORDINATION:

Community Development's Housing and Community Development Division has coordinated proposed Substantial Amendments with other City departments including Finance, Legal, Library Community Services and Public Works.

FISCAL AND SUSTAINABILITY IMPACT:

There is no General Fund impact associated with this agenda item as available City of Salinas HUD entitlement funds will be used to support this allowable CDBG & HOME projects. The table below breaks down the requested appropriations of \$5,872,412 in unspent HOME & CDBG funds

from FY 2023-2024, 2024-2025 and 2025-2026 AAPs to various projects as described in the Summary of Substantial Amendments to HUD FY 2023-2024, 2024-2025, and 2025-2026 AAPs.

Fund	General Ledger Number (Operating/CIP)	General Ledger Account Name	Remaining Budget Appropriation	Amount Requested
2910	30.3240-Various	CDBG Various	\$1,440,817	\$1,440,817
2930	30.3240-Various	HOME Various	\$4,431,595	\$4,431,595

ATTACHMENTS:

Resolution – CDBG & HOME Substantial Amendments
CDBG & HOME Substantial Amendments Summary - Draft
Presentation – CDBG & HOME Substantial Amendments