

MEMORANDUM

Date: January 27, 2026
To: City Council
From: Kelly Adams, Assistant City Administrator



2026 Community Development Block Grant Program

On a three-year cycle, the City issues Requests for Proposals (RFPs) for federal Community Development Block Grant (CDBG) funds. In past years, the RFPs have been for services and capital projects that benefit low- and moderate-income persons in designated census tracts. In 2018, 2021, and 2024, the City prioritized affordable housing and public service activities and did not consider applications for public facilities or economic development.

Background

In 2015, Thurston County became an Entitlement County pursuant to federal CDBG funds. In accordance with an interlocal agreement, Tumwater shares the annual CDBG funding on a three-year rotation with south Thurston County. The Cities of Lacey and Olympia have their own entitlement and are not part of the rotation. Tumwater has had funds in 2015, 2018, 2021, and again in 2024 and contracts with Thurston County Public Health and Social Services Department housing staff to provide the administration of the funds.

The primary eligibility requirement for any CDBG funds is that the projector program principally benefits low- and moderate-income persons in designated census tracts. The U.S. Department of Housing and Urban Development (HUD) defines low and moderate income as a household that is at or below 80% of the median income for the area. HUD annually adjusts these income guidelines. Eligibility must be monitored for participants, or in the case of senior or houseless individuals, they are presumed to qualify.

The amount available each year is determined by Congress through HUD and is generally about one million dollars. Thurston County retains 20% of the total annual CDBG funding to cover the administrative costs. Up to 15% of the total annual CDBG funding may be used for social services and the remaining is designated for capital projects, economic development activities, public improvements, and public facilities. There are additional rules about eligible capital costs.

Funding History

In previous years, the City issued an RFP for both public services and capital projects. Proposals were not restricted specifically to those providing services inside the City of Tumwater, although the capital projects generally only occurred in Tumwater. In 2018, 2021, and 2024, the City excluded public facilities and economic development from eligibility for services.

In issuing the RFP in 2024, the City noted:

The City has expressed an interest in funding eligible public service activities that utilize innovative approaches to service delivery. The City of Tumwater has determined that they do not intend to fund public facilities, public infrastructure, or economic development activities with CDBG funds that would otherwise be eligible.

Public Services

Up to 15% of the total CDBG allocation may be used for public services (approximately \$185,000). Public service activities must be provided by organizations located in or serving Tumwater residents. First priority will be given to public service providers located in Tumwater and serving Tumwater residents. Second priority will be given to organizations which are not physically located in Tumwater but are serving Tumwater residents. Funding for public services is at the discretion of the City.

Examples of eligible public services activities include, but are not limited to:

- Job training
- Crime prevention
- Health services
- Services for houseless persons
- Substance abuse services
- Fair housing counseling
- Education programs
- Food assistance programs

Affordable Housing

Examples of eligible activities that would provide affordable housing include, but are not limited to:

- Acquisition of real property that is or will be used to provide permanent affordable housing
- Repairs, rehabilitation and maintenance to homeowner occupied single-family homes (i.e., home repair program)
- Energy efficiency improvements to homeowner occupied single-family homes (i.e., weatherization program)
- Repairs and rehabilitation/preservation to multi-family rental units
- Repairs and rehabilitation/preservation to single-family rental units
- Water and sewer improvements in support of affordable housing units
- Homebuyer assistance (i.e., down payment assistance or buy down of a home's purchase price)
- Publicly owned infrastructure or offsite street improvements in support of housing units (i.e., repair or installation of streets, street drains, storm drains, curbs and gutters, or traffic

lights/signs that are required per the City's permitting process in order to create or preserve housing units)

- *Any combination of the above.*

Note: *Affordable Housing projects are a type of CDBG-Capital project.*

Tables 1-4 display the historical award data from 2015, 2018, 2021, and 2024.

Table 1. Tumwater Community Development Block Grant Awards 2024

<i>Public Services</i>	<i>Awardee</i>	<i>Activity</i>	<i>Amount</i>
1	Boys and Girls Clubs of Thurston County	Tumwater Boys & Girls Club Scholarships for LMI Youth	\$40,000.00
2	Catholic Community Services	The Community Kitchen	\$3,200.00
3	Family Education and Support Services	Peer Recovery Specialist	\$31,800.00
4	Senior Services for South Sound	Home Share Program	\$15,000.00
5	Thurston County Food Bank	TCFB Home Delivery and Other Bank	\$30,000.00
6	TOGETHER!	Tumwater Community Schools	\$64,397.85
		Services Subtotal	\$184,397.85
<i>Capital Projects</i>	<i>Awardee</i>	<i>Activity</i>	<i>Amount</i>
1	Homes First	Major Rehabilitation – Low Income Clean and Sober Housing	\$245,000.00
2	Rebuilding Together Thurston County (RTTC)	Critical Home Rehabilitation Program	\$75,000.00
3	South Puget Sound Habitat for Humanity	Critical Home Repairs	\$45,000.00
4	South Puget Sound Habitat for Humanity	Tálicn Townhomes Buy Down	\$434,057.35
		Capital Subtotal	\$799,057.35
		2024 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM TOTAL	\$983,455.20

Table 2. Tumwater Community Development Block Grant Awards 2021

<i>Public Services</i>	<i>Awardee</i>	<i>Activity</i>	<i>Amount</i>
1	Boys and Girls Clubs of Thurston County	Tumwater Boys & Girls Club Scholarships for LMI Youth	\$56,640.00
2	Catholic Community Services	The Community Kitchen	\$11,520.00
3	Senior Services for South Sound	Home Share Program	\$16,047.65
4	TOGETHER!	Tumwater Community Schools	\$100,000.00
		Services Subtotal	\$184,207.65
<i>Capital Projects</i>	<i>Awardee</i>	<i>Activity</i>	<i>Amount</i>
1	Homes First	Affordable Rental Homes for Tumwater	\$200,000.00
2	Housing Authority of Thurston County	Sequoia Landing – Phase II	\$267,414.44 ¹
3	Rebuilding Together Thurston County (RTTC)	Critical Home Repairs	\$30,000.00
4	South Puget Sound Habitat for Humanity	Critical Home Repairs	\$100,000.00
5	South Puget Sound Habitat for Humanity	Tumwater Townhomes Buy Down	\$300,000.00
		Capital Subtotal	\$897,414.44
		2021 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM TOTAL	\$1,081,622.09

¹ The Council voted to award this amount upon the condition that the applicant was able to purchase the property by September 1, 2022. The Council unanimously decided that were the applicant to refuse the funding award or were it unable to meet the conditions of the award that the Council might first consider funding the applicant's purchase of the Oyo Tumwater hotel for conversion into multifamily rental units. If the Oyo project were found to be ineligible to receive CDBG funds, not a viable project or otherwise not suited for CDBG funds, the funding would then be distributed among Habitat for Humanity's Townhome Buy Down project and Homes First's Affordable Rental Homes with \$167,414.44 provided to Habitat and \$100,000 of the award provided to Homes First. Council further deliberated this item at the May 4, 2021, Tumwater City Council meeting.

Table 3. Tumwater Community Development Block Grant Awards 2018

<i>Public Services</i>	<i>Awardee</i>	<i>Activity</i>	<i>Amount</i>
1	Boys and Girls Clubs of Thurston County	Scholarship Assistance	\$25,822.00
2	Catholic Community Services	The Community Kitchen	\$25,694.00
3	Family Education and Support Services	Resilience Center Acquisition	\$120,000.00
Services Subtotal			\$171,516.00
<i>Capital Projects</i>	<i>Awardee</i>	<i>Activity</i>	<i>Amount</i>
1	Homes First	Affordable Rental Homes for Tumwater	\$437,480.00
2	Interfaith Works	Regional Support for Community Care	\$32,236.00
3	TOGETHER!	Tumwater Community Schools	\$92,699.00
4	Union Gospel Mission	Genesis Acres Sewer	\$237,244.00
Capital Subtotal			\$799,659.00
2018 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM TOTAL			\$971,175.00

Table 4. Tumwater Community Development Block Grant Awards 2015

<i>Public Services</i>	<i>Awardee</i>	<i>Activity</i>	<i>Amount</i>
1	Boys and Girls Clubs of Thurston County	Scholarship Assistance	\$22,684.00
2	Enterprise for Equity	Business and Financial Support Services	\$40,100.00
3	Catholic Community Services SW	Community Kitchen	\$17,000.00
4	Catholic Community Services SW	Drexel House	\$22,000.00
Services Subtotal			\$101,784.00
<i>Capital Projects</i>	<i>Awardee</i>	<i>Activity</i>	<i>Amount</i>
1	City of Tumwater	Pioneer Street Sewer	\$30,000.00
2	Community Action Council	Deschutes Cove Sewer	\$504,838.00
3	Homes First	Community Housing Development – Tumwater	\$116,936.52
4	Rebuilding Together Thurston County (RTTC)	Safe and Healthy Homes Program	\$33,351.21
5	Safe Place	Community Service Center Improvements	\$40,000.00
Capital Subtotal			\$725,123.73
2015 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM TOTAL			\$826,909.73

Process

After the City Council determines the parameters for awarding the funds in this cycle, Thurston County Public Health and Social Services staff will administer the RFP, if it is desired, and any subsequent selection process. If an RFP is chosen for some or all the funds, the City Council will have to make decisions on how the funds will be allocated. That could be done by the City Council as a whole or by a committee. Presentations from applicants may or may not be required. Those decisions would have to be made by the City Council.

The City's selection of projects are recommendations that go to the County Board of Commissioners who have the final authority; as Thurston County is the legal entity for receiving the funds from HUD. Tumwater's decisions need to be made by late April or early May to allow Thurston County Public Health and Social Services staff to perform a risk assessment of projects and a few other activities in preparation for setting up a public hearing, presenting the draft plan to the Commissioners for approval, and submitting the plan to HUD.

Options

1. Issue an RFP, as the City has done in past years. This RFP would go out in late February at the same time as the other RFPs for County and RHC funding. If Tumwater wants to identify specific funding priorities to include in the RFP, Thurston County would need those by late January to finalize the application and RFP. Or it can be open to any eligible CDBG-activity. The City would also need to specify if services are eligible and to what percentage, up to 15%.
2. The City Council can decide on its own to make one or more allocations, without going through the RFP process.
3. A combination of those two approaches by holding back a certain amount of funds for the City Council to allocate directly and use the RFP process for the remainder of the funds.

Staff Recommendation

Given the need for additional housing and the priority that was set in the City's Resolution No. R2018-016 adopting certain actions addressing affordable housing and homelessness, staff recommends that 80 percent of these funds that are at the discretion of the City Council be designated for the support of capital costs associated with the creation of new low-income housing in Tumwater, with a priority on leveraging additional investment in low-income housing. The remainder would be available for other eligible capital or public service expenses, up to the maximum allowed. Thurston County would issue an RFP to solicit proposals pursuant to this direction.

Regarding the process for the allocation of the funds, staff recommend that the Budget and Finance Committee schedule a meeting in April 2026 to receive presentations and make recommendations to the full City Council for consideration.

2026 Funding Process Timeline

January 27	City Council discusses priorities and contingencies at Work Session
February 6	Thurston County issues RFP
February 10	Optional virtual bidder's conference
February 16-20	Optional pre-application workshops
March 20	RFP closes at Noon
April	Thurston County Public Health and Social Services staff review applications for eligibility and risk
April 9	City of Tumwater to receive applications
April 24	Tumwater Budget and Finance Committee hosts presentations from applicants
May 5	City Council approves award recommendations
April - June	Thurston County posts Annual Action Plan for public review and public comment period
July 15	Thurston County submits 2026 Annual Action Plan to HUD
August	Thurston County sends conditional award letters to agencies, notifies agencies not selected for funding
September – October	Thurston County executes contracts with funded agencies after grant agreement received from HUD and environmental reviews completed