

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: December 11, 2025

PREPARED BY: Lorena Ritchey, Management Analyst

SUBJECT: REALLOCATION OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS AND PALM DESERT HOUSING AUTHORITY PROJECT MODIFICATION FOR FISCAL YEAR 2024-25

RECOMMENDATION:

1. Approve the reallocation of \$14,987.64 in unused Fiscal Year (FY) 2024–25 Community Development Block (CDBG) Grant Administration funds, which are U.S. Department of Housing and Urban Development (HUD) allocated funds designated for program oversight, to the Palm Desert Housing Authority (PDHA) for eligible CDBG activities.
2. Approve the reallocation of \$217,756.47 in FY 2024-25 CDBG funds from the PDHA Candlewood Apartments project to the PDHA Taos Palms Apartments project.
3. Authorize the City Manager to execute any documents necessary to complete the reallocation.

BACKGROUND/ANALYSIS:

The City of Palm Desert receives an annual entitlement in CDBG Program funds from HUD. The City has historically allocated its CDBG funds to nonprofit organizations that provide services to low and moderate-income households. In FY 2024-25, the City received \$365,446 in CDBG funds, which were awarded to different projects by the City Council (Council) on June 27, 2024. Of the awarded amount, federal requirements stipulate that funding for public services cannot exceed 15%, funding for program administration is limited to 20%, and there are no funding restrictions for public facilities and improvements.

In the June 27, 2024, Council meeting, \$70,430 was allocated for CDBG Administration funds, which are HUD-designated funds used for program oversight, compliance, reporting, and management. A balance of \$14,987.54 in Program Administration funds remains available and eligible for reallocation.

On May 8, 2025, the City Council approved the reallocation of \$217,756.47 in unused CDBG funds from Program Years 2019–2024 to Palm Desert Housing Authority's (PDHA) public infrastructure improvements. The reallocation of the \$217,756.47 included \$110,000 from 2024 and \$107,756.47 from 2019-2023. PDHA public infrastructure improvements are reserved for capital improvements at any of the fifteen (15) PDHA-run properties. On October 15, 2025, during early bid preparation, the City's Capital Project (CP) and Housing Divisions determined that the Taos Palms Apartments parking lot project had become a high priority due to significant flooding and drainage issues requiring immediate corrective action.

The projected cost for the infrastructure corrections is \$260,440. As a result, Staff recommends redirecting all of the PDHA CDBG funds to Taos Palms Apartments to support ready-to-implement

public facility improvements that directly benefit low and moderate-income residents. In addition, staff further recommends allocating \$14,987.64 from unused overall grant management funds to the Taos Palms Apartments project.

Funding Source	Amount	Current Allocation	Proposed Allocation
FY 2024-25 CDBG Program Administration (Unused)	\$14,987.64	Overall grant management	PDHA’s Taos Palms Apartments Parking Lot
FY 2024-25 CDBG Public Improvement	\$217,756.47	PDHA Infrastructure Projects	PDHA’s Taos Palms Apartments Parking Lot
FY 24/25 CDBG Total	\$232,744.11		

Rationale for Substantial Amendment

The City’s Citizen Participation Plan outlines when a formal public process is required for changes to CDBG-funded activities. Although this action does not formally meet the definition of a substantial amendment, staff are treating it as one for transparency purposes because the reallocation results in all funds being directed to a single project. The criteria used as guidance include:

1. Change in allocation priorities or a change in the method of distribution of funds.
2. To carry out an activity not previously described within an Action Plan of more than \$25,000, except for No. 3 below.
3. Change in purpose, scope, location, or beneficiaries of an activity, unless the organization is already awarded funds and they are requesting reallocation to an alternate project/program at the same location and beneficiaries. Proposed clients to be served must remain the same, and the project type must remain the same (e.g., capital improvement vs. public service).

The 30-day public comment period for this reallocation ran from November 10, 2025, through December 10, 2025. The notice of public hearing was published in The Desert Sun on December 1, 2025, at least ten days prior to the hearing. The draft Second Substantial Amendment was posted on the City’s website for public review throughout the entire comment period.

FINANCIAL IMPACT:

This item reallocates existing CDBG funds within the City’s FY 2024-25 and has been included in the approved FY 2024-25 Annual Budget in CDBG Account No. 2204800-4388000 in the amount of \$1,077,361 for all projects. Costs for CDBG projects are eligible for 100% reimbursement from HUD; therefore, this action has no impact on the General Fund.

ATTACHMENTS:

1. Palm Desert Program Year 24 Annual Action Plan Substantial Amendment 2
2. Public Hearing 30-Day CDBG English - Taos Apartments
3. Public hearing 30-Day CDBG Spanish - Taos Apartments
4. Public Hearing 10-Day CDBG English - Taos Apartments
5. Public Hearing 10-Day CDBG Spanish - Taos Apartments
6. CDBG Amendment Presentation

