



Agenda Report

Item #: 26-230

Meeting Date: 5/06/2026

TITLE: FISCAL YEAR (FY) 2026-2027 ANNUAL ACTION PLAN IDENTIFYING FUNDING PRIORITIES FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS GRANT (HOME) PROGRAMS

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/HOUSING AND COMMUNITY DEVELOPMENT DIVISION

PRESENTED BY: NANCY SA, GRANT ADMINISTRATOR AND ANNA MCGILL, PLANNING MANAGER

CONTACT INFORMATION: NANCY SA, GRANT ADMINISTRATOR, (714) 754-5678

RECOMMENDATION:

Staff recommends the City Council:

1. Hold a Public Hearing regarding the Fiscal Year (FY) 2026-27 Annual Action Plan.
2. Approve the recommended allocation of \$1,053,867.31 for the FY 2026–27 Community Development Block Grant.
3. Approve the recommended allocation of \$1,061,998.25 for the FY 2026-27 HOME Investment Partnerships Grant.
4. Adopt Resolution NO. 2026-xxx (Attachment 1) in order to:
 - a. Approve the FY 2026-27 Annual Action Plan
 - b. Authorize the City Manager, or the City Manager's designee, to submit the FY 2026-27 Annual Action Plan to the U.S. Department of Housing and Urban Development.
 - c. Designate the City Manager, or the City Manager's designee, as the official representative of the City to administer the programs and to execute and submit all required agreements, certifications, and documents required by HUD, and execute all agreements and subrecipient agreements for the use of funds approved in the FY 2026-27 Annual Action Plan.

BACKGROUND:

Costa Mesa is a recipient of two U.S. Department of Housing and Urban Development (HUD) grant program funds: (1) the Community Development Block Grant (CDBG) Program and (2) the Home Investment Partnerships Program (HOME). These two programs annually provide approximately \$1.3 million to the City and can be used for various activities that assist low- and moderate- income Costa Mesa residents (residents with household incomes at or below 80% of the median income for Orange County).

Table 1 – 2025 Orange County Income Limits Summary

% median income	Persons in Household							
	1	2	3	4	5	6	7	8
Extremely Low (30%)	\$35,550	\$40,600	\$45,700	\$50,750	\$54,850	\$58,900	\$62,950	\$67,000
Very Low (50%)	\$59,250	\$67,700	\$76,150	\$84,600	\$91,400	\$98,150	\$104,950	\$111,700
(60%)	\$71,100	\$81,240	\$91,380	\$101,520	\$109,680	\$117,780	\$125,940	\$134,040
Low (80%)	\$94,750	\$108,300	\$121,850	\$135,350	\$146,200	\$157,050	\$167,850	\$178,700

Income limits for 2026 will not be available until May 1, 2026. An updated income table will be included in the presentation.

The Advance Planning and Housing Division (APHD) of the Economic and Development Services Department is responsible for administering the City’s CDBG and HOME grants. CDBG and HOME-funded activities must address the needs outlined in the City’s Consolidated Plan.

FIVE-YEAR CONSOLIDATED PLAN

The Consolidated Plan is a five-year planning document required by HUD for all communities receiving federal community development grant funds. The current Consolidated Plan was approved by the City Council on May 20, 2025, and covers FY 2025-2029. The following five-year goals are identified in the 2025-2029 Consolidated Plan:

- Goal 1: Housing Preservation – To provide decent and affordable housing through a variety of activities, including owner-occupied housing rehabilitation, code enforcement, and rental housing acquisition/rehabilitation.
- Goal 2: Infrastructure and Facility Improvements – To enhance the sustainability of the living environment through improvements to public infrastructure and facilities.
- Goal 3: Homeless Continuum of Care – To provide supportive services and housing assistance for persons experiencing homelessness and homelessness prevention.
- Goal 4: Public Social Service – To provide services for low- and moderate- income persons, and those with special needs, including fair housing services.
- Goal 5: Program Administration – To provide administration of the CDBG and HOME programs, ensuring effective and efficient delivery of programs and services and complying with all HUD program requirements including the provision of fair housing services.

The Consolidated Plan also includes a five-year strategic plan that identifies community needs, and strategies, programs and resources to address those needs. Its five-year cycle will end on June 30, 2030. The Consolidated Plan can be found on the City’s [website](#).

ANNUAL ACTION PLAN

The Annual Action Plan is the component of the Consolidated Plan that is revised annually. It links the goals identified in the City’s 2025-2029 Consolidated Plan to the planned annual expenditure of CDBG and HOME funds. The City must submit the Annual Action Plan to HUD in May of each year to comply with HUD requirements and continue to receive these federal funds.

The City is required to submit the Annual Action Plan to HUD by May 15 each year unless HUD provides additional guidance.

The City is required to provide a 30-day public comment period and to hold a public hearing before approving and submitting the Annual Action Plan to HUD.

ANALYSIS:

PROPOSED 2026 – 2027 ANNUAL ACTION PLAN

Fiscal Year 2026-27 begins July 1, 2026 and ends June 30, 2027. Both CDBG and HOME funds have specific program requirements. CDBG funds must be utilized to achieve one-of-three national objectives: 1) elimination of slums or blight, 2) to meet an urgent need (e.g., declared disaster), or 3) to benefit low- and-moderate- income persons. HOME funds must be used to preserve or increase housing opportunities for low-income residents in Costa Mesa through eligible activities such as acquisition, rehabilitation, or construction of affordable rental housing.

CDBG Funds

The City will receive \$880,986 in CDBG funds for FY 2026-27, a three percent decrease from the amount received in FY 2025. Additionally, prior year program funds in the amount of \$172,881.31 will be available to CDBG-eligible activities. Staff is recommending funding in four primary program areas: (1) Public Services Grants, (2) Housing Rehabilitation, (3) Code Enforcement, and (4) Program Administration.

Public Services

The City is allowed to earmark up to 15 percent of its annual CDBG allocation to fund public services. Based on the estimated FY 2026-27 CDBG allocation, staff is recommending the City allocate the maximum allowable amount of \$132,147. for public services.

Public services are defined as social service programs that primarily benefit low-and-moderate- income residents. These programs may be administered by City staff or by local nonprofit agencies through a subrecipient agreement. Staff recommends allocating \$30,000 to fund a portion of the salary for the City's Senior Center Community Outreach Worker position. The City's Community Outreach Worker assists Senior Center clients by connecting them to appropriate community agencies, services and resources and provides support for their physical, mental, emotional and social health. This leaves \$102,147. to fund public services grants (PSGs) for community-based, non-profit organizations.

On January 26, 2026, the City released a request for PSG applications. Eight eligible PSG applications requesting a total of \$215,000 were received by the due date of February 25, 2026. On March 18, 2026, the City's Housing and Public Service Grant Committee (H&PSG Committee) convened to receive presentations from non-profit organizations to finalize the rating process for the applications for grant funds, and to develop public service grant funding recommendations for the City Council's consideration. The H&PSG Committee recommended \$92,481 for four nonprofit organizations that submitted applications based on the estimated maximum available. The actual amount available for public services was \$9,666 more than the estimated amount, so that amount has been distributed per the H&PSG Committee's recommendation.

A summary of the H&PSG Committee's ratings, rankings and grant recommendations is provided in Attachment 3 for the City Council's considerations. The application summaries include the Fair Housing Foundation, which will be funded out of CDBG Administration and the senior services provided at the City's Senior Center that are partially funded by CDBG public services. The Committee's grant recommendations are also listed in the proposed CDBG budget below.

Housing Rehabilitation Administration

Staff is proposing to allocate \$10,000 in CDBG funding for staff and other direct costs associated with the City's HUD-funded housing rehabilitation program. Examples of eligible costs include staff costs associated with preparation of work specifications, property inspections and loan/grant application processing.

Housing Rehabilitation

Staff is proposing to allocate \$60,000 in CDBG funding for single-family housing rehabilitation. The City has a HOME-funded Housing Rehabilitation Grants and Loans Program. The CDBG-funded Housing Rehabilitation Grants and Loans program will provide more flexibility and increase the number of residents and properties eligible for rehabilitation grants and loans. The addition of CDBG funding to the Housing Rehabilitation Grants program is a direct response to the needs assessment and community feedback provided through the consolidated planning process.

Code Enforcement

CDBG funds may be used for code enforcement activities, provided the program primarily benefits low-and-moderate-income persons, and that such activities "together with public or private improvements, rehabilitation, or services to be provided, may be expected to arrest the decline of the area." The core of this regulation is that any CDBG-funded code enforcement activity must have a direct connection to rehabilitation or improvement of housing in a CDBG-eligible area. Over 55% of the City is made up of CDBG eligible census blocks and the CDBG funding recommendation makes up 23 percent of the total budget for code enforcement activities in the City. A map of the CDBG eligible census blocks is available in Attachment 4. For FY 2026-27, staff recommends an allocation of \$433,913 in CDBG funds to support the work effort of two full-time and one part-time City Community Improvement Officers. Activity will be limited to eligible low-and-moderate-income Census Tract Block Groups identified by HUD.

Administration

HUD allows the City to allocate up to 20 percent of its annual grant for planning and program administration. Based on the City's FY 2026-27 allocation, a maximum of \$176,197.20 can be allocated for program administration. Eligible program administration expenditures include program staff salaries and benefits, contract services, legal services, direct program operating costs and fair housing costs (if not funded through the public services allocation). The City is required by HUD to fund a Fair Housing Program, which provides education, counseling and enforcement services for Costa Mesa households.

Staff recommends allocating \$20,000 from administration to fund the Fair Housing Foundation to provide fair housing services to the community and comply with federal regulations.

Table 2: Proposed FY 2026-2027 CDBG Budget

AVAILABLE FUNDS		
2026-2027 CDBG Allocation	\$880,986.00	
Prior Year Funds	\$172,881.31	
	TOTAL:	\$1,053,867.31
PROPOSED PROGRAMS/PROJECTS		
Code Enforcement		
Salary & Benefits 2 FT & 1 PT	\$433,913.00	
	SUBTOTAL:	\$433,913.00
Public Service grants (15% Maximum)		
City of Costa Mesa Senior Center Caseworker	\$30,000.00	
Families Forward – Costa Mesa Affordable Housing	\$29,049.00	
Human Options – Services for Costa Mesa Residents	\$29,049.00	
Project Hope Alliance – Case Management	\$29,049.00	
Dance 4 Joy Ministries – West Side Alive	\$15,000.00	
	SUBTOTAL:	\$132,147.00
Housing Rehabilitation		
Housing Rehabilitation Administration	\$10,000.00	
Housing Rehabilitation Grants Program	\$60,000.00	
	SUBTOTAL:	\$70,000.00
Administration (20% Maximum)		
CDBG Program Administration	\$156,197.20	
Fair Housing Foundation*	\$20,000.00	
	SUBTOTAL:	\$176,197.20
	TOTAL:	\$812,257.20

*Required by HUD

HOME Funds

The City will receive a HOME grant allocation of \$377,329.57 for FY 2026-27. Additionally, \$50,000 in program income and \$634,668.68 in prior year resources are available. Staff recommends allocating FY 2026-27 HOME funds for four activities: (1) Housing rehabilitation loans and grant program, (2) Tenant Based Rental Assistance (TBRA) (3) Community Housing Development Organization (CHDO) reservation, and (4) Program Administration.

Staff is not recommending the allocation of FY 2026-27 HOME funds toward new affordable housing development projects at this time. In FY 2025-26 the City committed \$1,500,000 in HOME funds to support affordable housing development. Following the release of a Request for Proposals, two development projects were approved by the City Council on March 17, 2026. Jamboree Housing was awarded \$1,150,000 in HOME funds for the Costa Mesa Senior Affordable Housing project and American Family Housing was awarded \$350,000 for the Avon River Apartments project.

Housing Rehabilitation Grant and Loan Program

HOME funds may be used to improve and preserve the City’s supply of owner-occupied housing for households with an income up to 80 percent of the County median income. Staff is recommending allocating a total of \$436,482 to the City’s Housing Rehabilitation Loan and Grant Program to assist up to 19 households.

Tenant Based Rental Assistance (TBRA)

Families Forward has been operating the Costa Mesa TBRA program since FY 2020–21. The program provides temporary rental assistance for up to 24 months for families with minor children. The TBRA rental subsidy covers rental costs, security deposits and utilities and reduces the housing costs for participating households to 30 percent of the household’s monthly adjusted income. Staff is recommending allocating a total of \$200,000 to the Costa Mesa TBRA program.

TBRA is a program that provides financial assistance to households to help them afford housing costs of market-rate units.

- TBRA helps individual households, rather than subsidize a rental project
- TBRA assistance can move with the tenant
- The level of subsidy is based on the income of the household, the unit the household selects, and the City’s rent standard (typically established by the local Housing Authority).

Community Housing Development Organization (CHDO) Affordable Housing Funds

HOME program regulations require that a minimum of 15 percent of the City’s annual grant allocation be reserved for a CHDO. These funds may be used for projects that are owned, developed, or sponsored by a nonprofit that qualifies as a CHDO. Based on the City’s FY 2026-27 HOME grant, \$56,599.44 is the minimum CHDO set-aside requirement. Staff will work to identify organizations that may be eligible to receive a CHDO allocation.

Program Administration

The City may use up to 10 percent of its annual grant for HOME program administration. Based on the City’s FY 2026-27 allocation, \$37,732.96 is available for HOME program administration. Eligible administration expenditures include program staff salaries and benefits, contract services, and legal services which may be required to implement the funded activities.

Table 3: Proposed FY 2026-2027 HOME Budget

AVAILABLE FUNDS		
2026-2027 HOME Allocation	\$377,329.57	
Prior Year Program Income (PI)	\$50,000.00	
Prior Year(s) Uncommitted HOME Funds	\$634,668.68	
TOTAL:		\$1,061,998.25

PROPOSED PROGRAMS/ PROJECTS		
Housing Rehabilitation		
Housing Rehab Loans and Grants	\$436,482.00	
	SUBTOTAL:	\$436,482.00
Tenant Based Rental Assistance		
Families Forward TBRA	\$200,000.00	
	SUBTOTAL:	\$200,000.00
CHDO Reserve (15% Minimum)		
CHDO Reserve – Project to be determined	\$56,599.44	
	SUBTOTAL:	\$56,599.44
HOME Administration (10% Maximum)		
FY 2026-2027 HOME Program Administration	\$37,732.96	
	SUBTOTAL:	\$37,732.96
	TOTAL:	\$730,814.39

Noticing Requirements and Public Comment

As required by HUD, the draft Annual Action Plan was released for public comment from April 3, 2026, to May 5, 2026. A notice was published in local newspapers in Spanish and English on April 3, 2026, inviting the public to review and comment on the draft 2026-27 Annual Action Plan and announced the May 5, 2026, City Council public hearing. The draft plan is also available for public review at City Hall and on the City's [website](#). As part of the City's outreach effort, information about the public comment period was shared on the City's social media platforms and email subscription lists, and flyers were posted in public City facilities. At the time this report was drafted, no comments were received.

ALTERNATIVES:

The City Council can choose not to fund the proposed activities recommended by staff and allocate CDBG or HOME funds to other eligible activities. The City Council can also direct staff to not submit the Action Plan; however, if the City does not submit the Action Plan, HOME funds will most likely be returned to the U.S. Treasury and the City's CDBG funds will be distributed proportionately among other Orange County jurisdictions that receive CDBG funds.

FISCAL REVIEW:

The City receives an annual grant allocation from HUD for the City's CDBG Program and HOME Program that provide funding for various activities that assist low-income Costa Mesa residents. While the action does not have a direct impact to the General Fund, it provides funding to key priorities and initiatives that the City may have otherwise decided to fund using the General Fund if these funding allocations were not available. For FY 2026-27, the City will receive an annual allocation of \$880,986 in CDBG funds and \$377,329.57 in HOME funds. The grant allocations have an eight (8) year period to be expended. Additional funds from prior year(s) in both the CDBG and HOME program are available in the amount of \$172,881 (CDBG) and \$684,668.68 (HOME) inclusive of anticipated program income. HUD will reimburse the City up to the total amount for eligible CDBG and HOME program expenditures.

LEGAL REVIEW:

The City Attorney's Office has reviewed and approved this agenda report and the attached resolution as to form.

The following public notifications were completed no fewer than 10 days prior to the date of the public hearing:

1. **Newspaper publication.** A public notice was published once in the Daily Pilot newspaper on Friday, April 3, 2026, to provide notification of the commencement of the 30-day public review period and of the City Council meeting,

Any public comments received for the May 5, 2026 City Council meeting, may be viewed at this link: [CITY OF COSTA MESA - Calendar \(legistar.com\)](https://legistar.com/CITY_OF_COSTA_MESA)

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council goals and objectives:

- Strengthen the public's safety and improve the quality of life; and
- Diversity, stabilize and increase housing to reflect community needs

CONCLUSION:

Pursuant to Federal regulations, the City Council must adopt a resolution for the approval of the Annual Action Plan in order for the City to implement the respective federal grant programs. The draft FY 2026-27 Annual Action Plan is prepared according to HUD regulations and outline how the City will utilize FY 2026-27 CDBG and HOME funds to meet the objectives and goals of the federal CDBG and HOME programs. Staff recommends that the City review the Annual Action Plan and designate the City Manager, or the City Manager's designee, as the official representative of the City to administer the programs and to execute and submit all required agreements, certifications, and documents required by HUD, and to execute all agreements and subrecipient agreements for the use of funds approved in the 2026-27 Annual Action Plan.