



Agenda Report

Item #: 25-221

Meeting Date: 4/01/2025

TITLE: CONTRACT AMENDMENT TO INCREASE FUNDING FOR THE FAMILIES FORWARD TENANT BASED RENTAL ASSISTANCE (TBRA) PROGRAM BY \$50,000 FOR THE CURRENT FISCAL YEAR (FY 2024-2025) AND INCLUDE UP TO 3 ADDITIONAL YEARLY RENEWALS FOR UP TO \$200,000 EACH YEAR, IF FUNDING IS AVAILABLE.

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

PRESENTED BY: MIKELLE DAILY, GRANT ADMINISTRATOR

CONTACT INFORMATION: MIKELLE DAILY, GRANT ADMINISTRATOR, (714) 754-5678

RECOMMENDATION:

Staff recommends the City Council:

1. Authorize the City Manager (or designee) and the City Clerk to execute an amendment to award additional HOME funding in the amount of \$50,000 to Families Forward for the City's Tenant Based Rental Assistance Program (TBRA) for FY 2024-2025 and include up to 3 additional yearly renewals for up to \$200,000 each year, if funding is available.
2. Approve an appropriation of \$175,000 to recognize the unspent allocation from prior years within the HOME Fund (Fund 205) that has been added to the FY 2024-2025 Annual Action Plan as a minor amendment to increase funding to the HOME TBRA program and Single-Family Rehabilitation program.

BACKGROUND:

The City of Costa Mesa is a Participating Jurisdiction ("PJ") in the Home Investment Partnerships ("HOME") Grant program. HOME funds are allocated to the City each year on a formula basis by the U.S. Department of Housing and Urban Development ("HUD"). HOME funds must be used to preserve or expand the City's housing stock that is affordable to lower-income households. Tenant Based Rental Assistance ("TBRA") is an eligible program under the HOME program regulations. The TBRA program objective is to prevent homelessness or shelter insecurity by providing rental assistance and supportive services to qualified lower-income households so they can attain and maintain safe, stable, and sanitary housing.

The Housing and Community Development Division (HCD) 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 19, 2020, and covers FY 2020-21 through FY 2024-25.

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, 2025. The Consolidated Plan can be found on the City's website at: [Consolidated Plan](#)

The City of Costa Mesa identified in its 2020-2024 Consolidated Plan the use of HOME funds to operate a pilot TBRA program to assist eligible very low and extremely low- income families with rent/ eligible housing costs as a response to the COVID-19 Pandemic. The City subsequently conducted a Request for Proposals (RFP) process to select a contractor capable of administering the pilot program on behalf of the City. The Costa Mesa City Council authorized the award of HOME funds to the newly selected TBRA Administrator, Families Forward, and the City entered into a one-year agreement with a one-year renewal in November 2021. In February 2023, the City conducted a second RFP process to select an administrator for the program with updated policies and procedures that no longer classified the program as a "pilot". Again, Families Forward was selected as the TBRA Administrator and the City entered into a one-year agreement with a one-year renewal in July 2023 that expires in June 2025.

Annual Action Plan

The Annual Action Plan is the Consolidated Plan implementation tool and is revised annually. It links the goals identified in the City's 2020-2024 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 of Costa Mesa's FY 2024-2025 Draft Annual Action Plan was approved by City Council on May 21, 2024, and was submitted to HUD as required. The final FY 2024-2025 Annual Action Plan can be found on the City's website at: [Annual Action Plan](#).

The City receives an annual HOME grant allocation (entitlement funds) each year based on a HUD formula that takes into consideration certain housing factors such as housing cost burden, population growth trends, and local condition of housing. Once awarded by HUD, HOME funds are available for use over an eight (8) year period. Additionally, the City receives revenue from HOME-funded activities such as loan repayments, which is referred to as program income (PI). HUD requires that the City spend all available PI prior to spending entitlement funds to ensure that all generated revenue is reinvested into eligible housing projects. As a result of previous PI, the City's HOME program currently has approximately \$2.3 million dollars in entitlement funds available to provide for HOME assistance programs that can be used for the current fiscal year and future affordable housing efforts. The City administers the two HOME programs in FY 2024-2025 that provide funding assistance to residents: 1) a Housing Rehabilitation Grant and Loan Program; and 2) TBRA.

The City's Housing Rehabilitation Grant and Loan Program provides funds to remedy code violations and repair and improve deteriorating single-family properties, with the goal of providing decent and safe housing conditions. The program offers grants up to \$15,000 for mobile homes and \$20,000 for single-family homes. Deferred zero interest loans of up to \$50,000 are also available as part of the

program. To be eligible for a grant or loan, the property must be owner-occupied by a low- to very-low income household and serve as the principal residence of the applicant. In addition, a total of \$310,051 in HOME funds were allocated for the City’s FY 2024-2025 Housing Rehabilitation Grant and Loan Program to provide ten (10) grants and one (1) loan. As of the date this report was drafted, 16 mobile home grants have been awarded and six (6) grant applications are pending. One (1) loan application is also pending.

The TBRA program objective is to assist qualified, very low-income households who are current residents of Costa Mesa (or households with strong community ties to Costa Mesa) to attain and maintain safe, stable, and sanitary housing. The goal of the program is to prevent homelessness or housing insecurity. All persons assisted through the HOME program must meet income requirements established by HUD. For the TBRA program, assisted household income is limited to 60 percent of the County Median Income, adjusted for family size. HUD sets income limits each year. Table 1 lists 2024 income limits:

Table 1 - 2024 TBRA Household Income Limits

(0% to 60% OC Median Income)	Persons in Household							
	1	2	3	4	5	6	7	8
	66,300	75,720	85,260	94,680	102,300	109,860	117,420	124,980

Under the HOME program regulations, TBRA program resources may be used to pay a portion of the monthly rent and tenant-paid utility costs. Funds may also be used to pay security deposit assistance on behalf of a tenant.¹ Rent for assisted units must be reasonable; therefore, the City has established that HUD published [Fair Market Rents](#) is the rent standard for all TBRA assisted units. In general, a participating tenant will pay 30 percent of the rent standard, and the City will pay the balance. Assisted units must also meet HUD Housing Quality Standards (“HQS”) and comply with HUD’s Lead-based Paint regulations. The City also uses HUD occupancy standards (maximum/minimum unit size depending on household size). Rental assistance to a tenant cannot exceed two years, and tenant household income eligibility must be verified each year. The City is allowed to focus program resources; therefore, HOME TBRA program resources will target current Costa Mesa residents and homeless or housing insecure persons with strong ties to the City.

HOME TBRA funds cannot be used for the following:

- To make commitments to specific owners for specific projects.
- To assist resident owners of cooperative housing that qualifies as homeownership housing.
- To provide TBRA to homeless persons for overnight or temporary shelter. The HOME TBRA subsidy must be sufficient to enable the homeless person to rent a permanent housing unit that meets HUD’s HQS.
- To duplicate existing rental assistance that already reduces rent payments to 30 percent of a tenant’s income (e.g., Section 8 voucher/certificate or the tenant resides in an affordable rent housing unit subsidized by another federal, state, or local funding source).

¹ Security deposit assistance may be provided regardless of whether rental and utility subsidies are being provided. Utility deposit assistance may be provided only in conjunction with rental assistance subsidy or security deposit assistance and cannot be a stand-alone TBRA activity.

Families Forward has operated the Costa Mesa TBRA program since FY 2020-2021. The program provides rental assistance for households with minor children for a period of up to 24 months. The TBRA rental subsidy covers rental costs, security deposits and utilities, and reduces the housing costs for participating households to 30% of the household's monthly adjusted income. The FY 2024-2025 Annual Action Plan identified \$150,000 in HOME funds for Families Forward to provide rental assistance to ten (10) Costa Mesa households.

Minor Amendment to Action Plan

To meet the excess demand for the aforementioned programs, a minor amendment reallocated \$175,000 from prior years uncommitted HOME funds into the FY 2024-2025 Annual Action Plan. This minor amendment was processed administratively and does not trigger the requirements for a substantial amendment as detailed in the Citizen Participation Plan. The amendment does not result in a net modification greater than 45 percent of HOME grant allocation for FY 2024 -2025 (44% proposed), it does not change the location of approved plan activities, will not change the plan beneficiaries, and provides more public access to the Plan activities. The minor amendment referenced will allocate \$125,000 to enable the City to grant the six (6) pending loans during this year. The remaining \$50,000 would be allocated to the TBRA Program. The 2024-2025 Annual Action Plan minor amendment is available on the City website: [24-25 Annual Action Plan minor amendment](#).

ANALYSIS:

Families Forward has received requests to provide rental assistance to five (5) additional families this fiscal year, which requires an additional \$50,000. City Council approval is needed to amend the Families Forward contract for the TBRA program, increasing the amount from \$150,000 to \$200,000. The draft contract amendment is included as Attachment 3 and includes the option to extend the term for up to three (3) additional years upon mutual written agreement of the parties, subject to the availability and/or allocation of HOME funds for the program.

Staff is also requesting that City Council allow the option for the maximum number of annual contract renewals (5) up to \$200,000 in anticipation of HOME funds availability. There are currently sufficient HOME funds in the City's fund balances to allow for this allocation through the final renewal expiration of June 30, 2028, and the TBRA program will be identified in the upcoming 2025-2029 Consolidated Plan. Including this option in the contract would streamline future efforts for contract renewal, enabling faster turnaround for families in need, and gives the City additional time before another RFP process is required.

ALTERNATIVES:

The City Council can choose not to approve the amendment to the Families Forward TBRA. If the amendment is not approved, Families Forward will not be able to assist the five households on the TBRA waitlist until after July 1, 2025, when the new fiscal year begins.

FISCAL REVIEW:

The City receives an annual HOME grant allocation (entitlement funds) each year and has an eight (8) year period to expend the funds. Additional funds from prior year(s) HOME allocations are available in the amount of \$175,000 to provide sufficient funding for the Fiscal Year 2024-25, for the amendment

to the agreement with Families Forward and the City's Single-Family Housing Rehabilitation Grant and Loan Program. Funding for renewal years will be available within the Department's operating budget.

LEGAL REVIEW:

The City Attorney's office has reviewed this report and approved it as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council goal:

- Diversify, stabilize, and increase housing to reflect community needs.

CONCLUSION:

The Annual Action Plan approved on May 21, 2024, for FY 2024-2025 (July 1, 2024 to June 30, 2025) identified HOME expected resources in the amount of \$558,943 to meet the Plan's annual goals and objectives. Additional uncommitted HOME resources in the amount of \$175,000 have been allocated to the Annual Action Plan in the form of a minor amendment to meet the increased need identified for the TBRA program (5 additional households), and Single-Family Housing Rehabilitation Grant and Loan (6 additional households) program. City Council's approval of the amendment, and authorization for the City Manager (or designee) to execute the amendment, to increase the Families Forward TBRA contract by \$50,000 and add three renewals up to \$200,000 is required to assist additional households with rental assistance during the current fiscal year.