



City of Santa Clara

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Agenda Report

26-135

Agenda Date: 3/24/2026

REPORT TO COUNCIL

SUBJECT

Public Hearing: Opportunity for Public Comment on the First Version of the DRAFT FY 2026/27 Annual Action Plan for the Use of Federal Housing and Urban Development (HUD) Grant Funds

BACKGROUND

As an entitlement agency, the City of Santa Clara receives annual funding from the United States Department of Housing and Urban Development (HUD) in the form of Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) funds. CDBG funds can be used to provide public services and funding for Capital Improvement projects that serve residents in Santa Clara. HOME funds can be used for the development of affordable housing and for providing rental assistance. The City does not compete for these funds, and the amount awarded each year is based on a population-based formula and the federal budget.

Every five years, HUD requires the City to prepare a Five-Year Consolidated Plan (Consolidated Plan), which identifies broad goals and needs within the community that could be addressed through the use of HUD funding. The City's current Consolidated Plan covers 2025-2029. HUD also requires the City to submit an Annual Action Plan (AAP) each fiscal year.

The AAP details how CDBG, HOME and local funding allocations will be used in a given year by the City to address the goals and needs identified in the Consolidated Plan. The 2026/27 AAP covers the second year of the 2025-2029 Consolidated Plan cycle. The purpose of this report is to gather public input on the programs the City proposes to fund in the 2026/27 fiscal year (FY).

DISCUSSION

The FY 2026/27 AAP is a one-year Plan that details how HUD funds will be spent on projects and activities to address goals and needs identified in the Consolidated Plan. The AAP also allocates funds from prior year activities and projects that did not fully spend down, and funds that have come back to the City as Program Income (PI) when loans are repaid. This year's AAP includes \$180,000 in prior year funds from FY 2025/26.

At the time of this report, the City has not finalized the acceptance or signed its Federal Grant Agreements with HUD for FY 2025/26 funding. This delay is due to a number of factors including the government shutdown and legal concerns with new terms and conditions set forth in the Federal Grant Agreements and new federal policies for entitlement funding. City staff is continuing to work on these issues, including the initiation of legal remedies, the outcome of which remains pending. Due to this delay in accepting HUD funding, Public Services that were programmed for FY 2025/26 were not funded. HUD regulations restrict the amount of CDBG funds that can be spent on Public Services each year (i.e., the Public Service Cap) so \$180,000 must now be reprogrammed into the FY 2026/27 Annual Action Plan for Capital Improvement Projects. HUD typically announces actual

allocations to jurisdictions in the spring of each year once the federal budget is finalized. All numbers in the AAP are subject to change prior to the presentation of the final FY 2026/27 AAP at the second and final public hearing.

HUD requires that the public be provided two opportunities to offer input on the development of the AAP; once during the development of the draft AAP, and once prior to submission of the final version to HUD. This meeting is the first of the two required public hearings. Public comment will be included in the final version of the AAP which is scheduled to be presented to the City Council on May 5, 2026. The final version of the AAP will be submitted to HUD on or before May 15, 2026.

In early 2025 a Notice of Funding Availability (NOFA) was made available to not-for-profits (NFPs) through a competitive process and was intended to fund NFPs for three years. City Council approved the NFPs through the annual action plan. Since this is year two of the plan, the City will continue to fund the already selected NFPs.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

The estimated total program resources for FY 2026/27 are \$1,580,000 in CDBG funds and \$770,000 in HOME funds for a total amount of \$2,350,000. In addition to HUD funding, the Community Development Department’s budget includes ongoing appropriations of approximately \$89,459 in the General Fund, \$223,677 in the City Affordable Housing Fund, and \$250,000 in the City Housing Successor Fund. These annual amounts are subject to the appropriation of funds. These appropriations, in conjunction with the estimated new entitlement funds, would be used to support the goals set forth in the City’s Consolidated Plan.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney’s Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov or at the public information desk at any City of Santa Clara public library.

After tonight’s public hearing is complete, there will be further updates, and a final version of the AAP will be available for public review for a 30-day public comment period before the second and final public hearing scheduled on May 5, 2026.

The Draft AAP was posted February 20, 2026 for the first public hearing. The 30-day public comment period for the final version will be from April 2, 2026 - May 5, 2026. The final AAP will be

made available on the City's website, and at public locations including the City Clerk's Office, the Housing and Community Services Division, and City Libraries. Notification of the availability of the Draft AAP was also emailed to interested parties which include local nonprofit agencies.

RECOMMENDATION

Approve the 2026-2027 DRAFT Annual Action Plan and direct staff to include public comments in the final version to be presented to the City Council on May 5, 2026.

Reviewed by: Afshan Hamid, Director of Community Development

Approved by: Jovan Grogan, City Manager

ATTACHMENTS

1. 2026-2027 Annual Action Plan DRAFT
2. 2026-2027 Annual Action Plan Breakdown - HUD Funds