

Overview of FY 2026/2027 Funding Sources

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FY 2026/2027 Tentative Funding Allocations

CDBG -
\$3,675,410

HOME -
\$6,618,404

ESG -
\$340,016

Human
Services/ABC -
\$651,663*

CDBG Administration ($\leq 20\%$): \$2,940,328
CDBG Public Service Allocation (15%): \$551,312
CDBG Non-Public Service Allocation: \$2,389,016

What is HUD?

- ▶ U.S. Department of Housing and Urban Development.
- ▶ Federal agency responsible for housing and community development programs.
- ▶ Provides funding to cities to address housing needs and homelessness.

What is an Entitlement Community?

- ▶ Cities that receive HUD funding directly from the federal government.
- ▶ Funds distributed annually using federal formulas.
- ▶ City of Mesa qualifies as a HUD Entitlement Community.

HUD and Local Funding Sources

- ▶ Federal Programs: Community Development Block Grant (CDBG)
- ▶ HOME Investment Partnerships Program (HOME)
- ▶ Emergency Solutions Grant (ESG)
- ▶ Local Programs: Human Services and A Better Community (ABC)

Community Development Block Grant (CDBG)

- ▶ CDBG is a federal HUD program that provides flexible funding to cities to address community development needs.
- ▶ Funds primarily benefit low- and moderate-income residents.
- ▶ Typical uses include housing rehabilitation, public facility improvements, neighborhood infrastructure, and limited public services.

Eligible CDBG Activities

- ▶ Public Service Activities (subject to 15% cap):
 - ▶ Homeless services and housing stability programs
 - ▶ Senior services, youth programs, and food assistance
 - ▶ Case management and supportive services
- ▶ Non-Public Service Activities:
 - ▶ Housing rehabilitation programs
 - ▶ Public facility and accessibility improvements
 - ▶ Neighborhood infrastructure improvements (sidewalks, lighting, drainage)
 - ▶ Code enforcement and blight removal

Lower-Risk CDBG Non-Public Service Activities

- ▶ Emergency Rehabilitation Programs - Health and safety repairs for low-income homeowners.
- ▶ Public Facility Improvements - Parks, community centers, and ADA accessibility upgrades.
- ▶ Neighborhood Infrastructure Improvements - Sidewalks, lighting, drainage, and accessibility improvements.
- ▶ Code Enforcement and Blight Removal - Addressing unsafe structures and neighborhood deterioration.

Higher-Risk CDBG Non-Public Service Activities

- ▶ Economic development activities - Projects that rely on job creation or retention requirements and require detailed documentation showing jobs primarily benefit low- and moderate-income persons.
- ▶ Property acquisition for future redevelopment - Projects dependent on future financing, environmental review, or development timelines that can delay project completion and expenditure.
- ▶ Large multi-partner development projects - Activities involving multiple funding sources or development partners that increase administrative complexity and implementation timelines.

How CDBG Project Selection Influences the HUD 1.5 Timeliness Ratio

- ▶ HUD requires entitlement communities to maintain a CDBG timeliness ratio of 1.5 or lower, which measures funds remaining in the City's HUD line of credit compared to the annual grant amount.
- ▶ Projects that move quickly to construction and produce measurable outcomes help maintain compliance.
- ▶ Lower-risk activities such as housing rehabilitation, public facility improvements, and neighborhood infrastructure projects typically spend funds more quickly.
- ▶ Complex or high-risk projects with long timelines can delay expenditures and increase the risk of exceeding HUD's timeliness threshold.
- ▶ Riskier projects → slower spending → higher HUD compliance risk.

HOME Investment Partnerships Program

- ▶ HOME is HUD's primary program for creating and preserving affordable housing.
- ▶ Funds support development and rehabilitation of affordable rental housing.
- ▶ Additional uses include homebuyer assistance and tenant-based rental assistance for low-income households.

Emergency Solutions Grant (ESG)

- ▶ ESG supports a community's homelessness response system.
- ▶ Funds may be used for emergency shelter operations, rapid rehousing, and homelessness prevention.
- ▶ Programs also support street outreach and coordinated entry services.

Human Services and A Better Community (ABC)

- ▶ Local funding supporting nonprofit service providers.
- ▶ Programs address crisis services, prevention, transitional services, and long-term support.

HOME-ARP

- ▶ HOME-ARP (HOME Investment Partnerships - American Rescue Plan) is a one-time federal funding source provided by HUD to address homelessness and housing instability.
- ▶ Funds must serve qualifying populations, including individuals or families who are homeless, at risk of homelessness, or fleeing domestic violence.
- ▶ Eligible uses include affordable rental housing development, tenant-based rental assistance, supportive services, and non-congregate shelter.
- ▶ The City has been allocated \$5,614,116 in HOME-ARP funding, with up to 15% \$842,117.40 permitted for administrative costs, leaving a \$4,771,988.60 available to allocate.
- ▶ All HOME-ARP funds must be fully expended by September 30, 2030, or they may be subject to recapture by HUD.

Transition from Non-Congregate Shelter to Supportive Services (HOME-ARP)

- ▶ Local homelessness response data indicates that many individuals accessing shelter require intensive case management and housing navigation to successfully transition into permanent housing.
- ▶ Redirecting HOME-ARP resources toward supportive services allows the City to expand case management capacity, fund staff positions, and strengthen housing stabilization programs.
- ▶ This strategy maximizes the impact of HOME-ARP funding by helping residents move more quickly from crisis situations into stable housing rather than focusing solely on creating additional temporary shelter units.

Upcoming Timeline



Next CCD Meeting - March 19, 2026



Annual Action Plan Draft Complete for Public Comment -
March 24, 2026



FY 2025/2026 Funding Recommendations to City Council -
May 4, 2026



Annual Action Plan Due to HUD - May 15, 2026

Questions?

Thank you for your time and participation.