



COUNCIL REPORT

DATE: April 28, 2026
CATEGORY: Public Hearing
DEPT.: Housing
TITLE: **Federal Fiscal Year 2026-27 Annual Action Plan**

RECOMMENDATION

1. Adopt the Fiscal Year 2026-27 Annual Action Plan (Attachment 1 to the Council report) and authorize the City Manager or designee to execute and submit any required forms and certifications to the U.S. Department of Housing and Urban Development.
2. Approve the following Fiscal Year 2026-27 Annual Action Plan funding recommendations.
 - a. Allocate \$2,764,925 for capital projects and economic development, and \$223,357 for program administration costs in Community Development Block Grant and HOME Investment Partnerships Program funds as shown in Table 3.
 - b. Allocate \$191,227 in Community Development Block Grant funding and \$48,584 in supplemental General Housing Funds for public services as shown in Table 4.
 - c. Allocate \$371,227 in General Housing Funds for contingency funding in the event that Fiscal Year 2026-27 CDBG funding is unable to be implemented as shown in Table 5.
3. Allocate \$171,000 in General Funds for Fiscal Year 2026-27 for public service organizations as shown in Table 6.

BACKGROUND

CDBG/HOME Overview

The City of Mountain View is developing its Fiscal Year 2026-27 Annual Action Plan, which represents the second year of the City's [2025-30 Consolidated Plan](#), approved by Council on [May 13, 2025](#). These plans are required by the U.S. Department of Housing and Urban Development (HUD) for jurisdictions like Mountain View that receive annual federal housing and community development funding (known as "entitlement jurisdictions"), such as the Community

Development Block Grant (CDBG) program, and the HOME Investment Partnerships Program (HOME).

Annually, HUD allocates CDBG funds to cities, counties, and states to support projects and programs that address a wide range of community development needs, as outlined in each jurisdiction's five-year Consolidated Plan and Annual Action Plan (AAP). The City's five-year Consolidated Plan for 2025–2030 establishes the framework for achieving its housing and community development goals through the use of CDBG and HOME funds.

The amount of CDBG and HOME program funds awarded each fiscal year fluctuates and is dependent on the adopted federal budget. These programs also utilize unspent funds from prior years and program income, which is revenue generated from CDBG or HOME-funded activities, such as loan repayments from affordable housing projects, and must be reinvested into eligible projects. Both the CDBG and HOME programs have distinct requirements established by HUD, including the eligible activity types and limits on how funds may be allocated. Activities must benefit low- and moderate-income (LMI) persons and households that are below 80% of the area median income (AMI).

The Annual Action Plan describes the specific activities and projects to be funded in a given fiscal year, along with the associated funding amounts and performance goals.

CDBG

CDBG funding helps jurisdictions address their community development needs, such as public service activities, capital projects, and economic development activities. Staff recommends the following use of CDBG funding:

- 15% for public service activities (maximum of 15% of CDBG allocation is allowed). Examples of eligible CDBG public service activities include, but are not limited to, homelessness prevention programs, legal services for seniors, and services for survivors of domestic violence.
- 65% for capital projects or economic development activities (100% of CDBG allocation is allowed). Examples of capital projects include, but are not limited to, acquisition of property for the development of affordable housing, and improvements to public facilities, parks, streets, and sidewalks that serve LMI residents. Economic development activities include technical assistance and loans for small businesses.
- 20% for program administration (maximum of 20% of CDBG allocation is allowed).

HOME

HOME funding helps jurisdictions fund various types of affordable housing-related programs and developments, with the following allowed uses:

- 90% for affordable housing projects and programs, such as site acquisition, rehabilitation, financial assistance to eligible home buyers or owners for home purchase, and tenant-based rental assistance (100% of HOME allocation is allowed).
- 10% for program administration (maximum of 10% of HOME allocation is allowed).

Funding Allocation—Public Services and Capital Projects/Economic Development Activities

- **Public Services**—The City allocates CDBG funds for public services through a two-year Notice of Funding Availability (NOFA) process. The current two-year cycle comprises Fiscal Years 2025-26 and 2026-27. The Fiscal Year 2025-26 Annual Action Plan was approved by the City Council on [May 13, 2025](#), and was submitted to HUD before the deadline of May 15, 2025. The Fiscal Year 2026-27 Annual Action Plan marks the second year of the two-year cycle, and it is staff’s recommendation to fund each of the City’s CDBG public service partners at the same level as in Fiscal Year 2025-26.
- **Capital projects and economic development activities**—Grants for these activities are funded directly to agencies (“direct allocation process”) rather than through a NOFA process, in alignment with the funding methodology as has been discussed previously with and supported by the HRC.

Update on Fiscal Year 2025-26 CDBG and HOME Funds

HUD approved the City’s Fiscal Year 2025-26 Annual Action Plan in September 2025. Concurrently with that approval, HUD sent the City the Fiscal Year 2025-26 CDBG and HOME grant agreements, both of which included a new addendum (Addendum) that had not been part of any prior agreement. The Addendum imposes new conditions on entitlement jurisdictions and their subrecipients that broadly require compliance with certain federal policy directives. Examples of the new policy conditions include prohibitions and restrictions on using funds to “promote gender ideology,” “elective abortions,” or “illegal immigration.”

The absence of precise definitions and scope for these requirements, as well as the lack of clarity regarding federal agencies’ interpretation and implementation of the Addendum’s conditions, has created significant uncertainty for funding recipients, including the City. Staff has assessed potential scenarios associated with accepting the new grant terms. Based on this analysis, the City has undertaken the following actions since receiving the CDBG and HOME grant agreements:

- **Joined Litigation:** On November 18, 2025, the Council voted to join as a plaintiff in the case of *Fresno v. Turner*, 3:25-cv-07070-RS (N.D. Cal.). Plaintiffs in *Fresno* are challenging the legality of the new policy conditions attached to federal grant funding, including CDBG and HOME. On February 9, 2026, the City joined *Fresno* as a plaintiff, and the case is ongoing.
- **Submitted Modified Grant Agreements to HUD:** In February 2026, the City submitted the CDBG and HOME grant agreements to HUD with modified language intended to temporarily prevent the enforcement of the new policy conditions. On February 17, 2026, HUD executed the grant agreements with the aforementioned modified language. However, on April 10, 2026, HUD sent a further notice that contests the modified language. The City expects the issues underlying the modified language to ultimately be addressed in the *Fresno* litigation.
- **Use of Prior Year Funds and Program Income:** As noted in the Overview above, unspent prior year funds and program income are important funding sources and are factored into the available funding estimate in every Annual Action Plan. The City's Fiscal Year 2025-26 Annual Action Plan includes prior year funds and program income, and the City is prioritizing the use of these CDBG and HOME funds first to fund the approved public services and programs in the Fiscal Year 2025-26 Annual Action Plan.

ANALYSIS

Fiscal Year 2026-27 CDBG and HOME Strategy

The City's administration of Fiscal Year 2026–27 CDBG and HOME funds remains subject to uncertainty in this dynamic environment. As such, staff evaluated four potential scenarios, as shown in Table 1, informed by actions taken during Fiscal Year 2025-26, as discussed above.

Table 1: Fiscal Year 2026-27 Scenarios

Scenario	Description	Potential Actions
A	HUD Agreements do include conditions similar to the Addendum	1. Submit modified grant agreements
		2. Use of Prior Year Funds and Program Income
B	HUD Agreements do not include conditions similar to the Addendum	Sign agreements and proceed as in past years
C	Litigation overturns Addendum	Sign agreements and proceed as in past years
D	Litigation upholds Addendum	City will further evaluate options

Based on currently available information, staff used Scenario A as the primary planning assumption in developing the proposed CDBG and HOME allocations for the Fiscal Year 2026–27 Annual Action Plan. As discussed further below, continued federal funding uncertainty may require temporary reliance on local housing funds, which could affect the timing or funding availability of other housing initiatives in future years.

Estimated Funding Levels for Fiscal Year 2026-27 Annual Action Plan

The Fiscal Year 2026-27 Annual Action Plan comprises the period of July 1, 2026 through June 30, 2027. The budget for the Annual Action Plan is composed of annual funding allocations, program income, and prior year resources, which are CDBG and HOME funds from prior years that were not expended. HUD announced the Fiscal Year 2026-27 entitlement allocations on April 3, 2026, and the funding levels are shown in Table 2 below.

Table 2: Estimated Funding Levels for Fiscal Year 2026-27

Program	Estimated 2026-27 Entitlement Allocation	Estimated Program Income	Prior Year Resources	Total
CDBG	\$600,557	\$400,000	\$978,322	\$1,978,879
HOME	\$232,462	\$500,000	\$468,168	\$1,200,630

Total proposed Fiscal Year 2026-27 program activity supported by federal housing funds equals approximately \$3.18 million.

As noted, public services are funded through the NOFA process, while non-public service projects (e.g., capital projects and economic development activities) are funded through a direct allocation approach. These projects are referred to as “direct allocation projects,” and total \$2.764 million, as shown in Table 3 below. Only a limited number of organizations can use direct allocation, largely because many traditional nonprofits and public service organizations lack the resources and expertise to meet the strict federal funding and complex reporting requirements.

Staff recommends that Fiscal Year 2026-27 funds be allocated towards the eligible non-public service CDBG and HOME projects shown in Table 3 below, in alignment with Recommendation 2(a).

Table 3: Proposed Capital Projects and Economic Development for Fiscal Year 2026-27

Category	Funding	Description
Capital Projects/Economic Development Total: \$2,764,925	CDBG: \$1,587,541	These funds will be directly allocated to capital projects and economic development projects: <ul style="list-style-type: none"> • Rebuilding Together Peninsula Minor Home Repair Program (\$100,000)— Provides emergency home repairs to LMI Mountain View homeowners. • Upwards BOOST (\$80,000)— Provides technical assistance to LMI microenterprise businesses in the City that provide childcare services. • City of Mountain View (\$1,407,541)— Funding for eligible projects in the City’s Affordable Housing Pipeline.
	HOME: \$1,177,384	These funds will be directly allocated to the City’s Affordable Housing Pipeline (which are capital projects).
Program Administration Total: \$223,357	CDBG: (20% cap): \$200,111	These funds cover program administration of the CDBG program.
	HOME (10% cap): \$23,246	These funds cover program administration of the HOME program.

CDBG Public Service Funding Recommendations

As mentioned above, Fiscal Year 2026-27 is the second year of the public services two-year funding cycle, and the City typically seeks to maintain the first-year funding level into the second year. HUD regulations limit the amount of CDBG funds that may be allocated to public service activities through the public service cap.

Based on current CDBG budget estimates and the applicable cap, the City may allocate up to \$191,227 in CDBG funds to public services for Fiscal Year 2026–27. This amount is \$48,584 less than the \$239,811 allocated in Fiscal Year 2025–26 due to a decrease in program income received compared to the prior year. Program income fluctuates annually based on loan repayments and project timing, which resulted in lower available funding this year.

To maintain consistent funding levels for Fiscal Year 2026–27 at \$239,811, staff recommends allocating \$48,584 in General Housing Funds to supplement the \$191,227 in CDBG funding

allocated to public services. Using General Housing Funds is recommended because the subrecipients' programs align with the Housing Department's goals. These programs function as an extension of the Department's work, making this the most appropriate funding source. If the City receives more CDBG program income than anticipated, and therefore has more funding for public services, fewer of these supplemental funds from the General Housing Fund will be used. The CDBG public service funding recommendations are shown in Table 4 below, in alignment with Recommendation 2(b).

**Table 4: CDBG Public Service Funding Recommendations
for Fiscal Year 2026-27**

Agency Name	Program/Activity Name	Fiscal Year 25-26 CDBG Funding	Fiscal Year 26-27 Funding Recommendations		
			CDBG	Supplemental	Total
Catholic Charities of Santa Clara County	Long-Term Care Ombudsman Program	\$13,589	\$10,836	\$2,753	\$13,589
Community Legal Services in East Palo Alto	Homelessness Prevention (Housing Legal Services Program)	\$32,439	\$25,867	\$6,572	\$32,439
Community Services Agency of Mountain View, Los Altos and Los Altos Hills (CSA)	Homeless Prevention/ Services	\$32,439	\$25,867	\$6,572	\$32,439
Community Services Agency of Mountain View, Los Altos and Los Altos Hills (CSA)	Senior Case Management	\$32,439	\$25,867	\$6,572	\$32,439
Day Worker Center of Mountain View	Education, Skills Training, and Job Placement Program	\$32,439	\$25,867	\$6,572	\$32,439
LifeMoves	MTV Housing Specialist	\$32,439	\$25,867	\$6,572	\$32,439
Senior Adults Legal Assistance (SALA)	Legal Assistance to Elders	\$19,211	\$15,319	\$3,892	\$19,211
Silicon Valley Independent Living Center (SVILC)	Housing Program for Persons with Disabilities	\$12,377	\$9,870	\$2,507	\$12,377
Vista Center for the Blind and Visually Impaired	Vision Loss Rehabilitation Program	\$32,439	\$25,867	\$6,572	\$32,439
TOTAL CDBG FUNDS		\$239,811	\$191,227	\$48,584	\$239,811

Contingency Funding

Due to continued uncertainty regarding federal funding, staff is recommending allocating \$371,227 in General Housing Funds as a one-time contingency for supporting the City’s CDBG-funded nonprofit partners, as shown in Table 5 below and in alignment with Recommendation 2(c). This one-time contingency funding would help mitigate potential public service and project disruptions by maintaining existing funding levels if federal CDBG funds are not available. As mentioned above, General Housing Funds are recommended because the subrecipients’ programs align with the Housing Department’s goals. There is a sufficient balance in the General Housing Fund for this purpose for Fiscal Year 2026-27. This contingency will not be needed, and the General Housing Fund will not be used under scenarios B and C in Table 1, that is if the HUD agreements either do not include the conditions in the Addendum or if the Addendum is overturned in litigation.

However, using General Housing Funds as a long-term contingency would impact funding availability for other City programs, such as homeownership, tenant displacement response, and affordable housing development. **Therefore, the approach of using General Housing Funds is limited to Fiscal Year 2026-27.** The City will need to explore alternative solutions for maintaining CDBG-funded services and projects if the *Fresno* litigation remains unresolved and federal funding availability remains uncertain beyond Fiscal Year 2026-27.

Table 5: Proposed CDBG Contingency Funding

CDBG Activity	Amount
Public Services	\$191,227
Rebuilding Together Peninsula Minor Home Repair Program	\$100,000
Upwards BOOST	\$80,000
TOTAL CONTINGENCY FUNDS	\$371,227

HUD Timeliness Test

As mentioned above, staff recommend prioritizing the use of the CDBG and HOME program income funds to fund the approved public services and programs in the Fiscal Year 2026-27 Annual Action Plan. Staff will continue to monitor the *Fresno v. Turner* litigation and will expeditiously expend the Fiscal Year 2026-27 CDBG and HOME entitlement funds as visibility into the legality of the new federal conditions increases.

Note that prioritizing the expenditure of program income and not expending 2025-26 and 2026-27 entitlement funds until a determination has been made in the litigation increases the

likelihood of the City not meeting its next CDBG timeliness test, which is a statutory requirement established by HUD to ensure that grantees are expending CDBG funds in an efficient and timely manner. The test is conducted annually on May 1st by comparing a grantee's unspent CDBG balance with their most recent entitlement amount. If a grantee does not meet the timeliness test, HUD may require corrective actions such as creating an expenditure plan, and continued failure can result in increased HUD oversight, and in some cases, a reduction or recapture of future CDBG funding. Although prioritizing the use of program income and prior years' unspent funds may result in the City not meeting timeliness requirements, this approach is preferable given the potential impacts of the Addendum.

General Fund Public Services

In addition to CDBG funds, the City makes an annual appropriation of \$171,000 from its General Fund to support human services, educational, cultural, arts, and other programs not eligible for federal funds. The allocation of General Funds helps provide additional resources to local community organizations, as federal funds are limited, have strict eligibility and reporting requirements and are often oversubscribed. These funds operate on a two-year cycle and are overseen by the Human Services Division in the City Manager's Office. The allocations for the two-year Fiscal Year 2025-27 cycle were approved by the City Council on [May 13, 2025](#), and are shown in Table 6 below.

**Table 6: General Fund Public Service Funding
for Fiscal Year 2025-27 Cycle**

Agency Name	Program/ Activity Name	Funding Per Fiscal Year
Community School of Music and Arts (CSMA)	Preschool Music and Art Program	\$15,030.11
Community Services Agency of Mountain View, Los Altos and Los Altos Hills (CSA)	Senior Nutrition Program	\$18,489.54
Counseling and Support Services for Youth (CASSY)	Mountain View School-Based Mental Health Services Program	\$16,032.11
Day Worker Center of Mountain View	Healthy Meals Program	\$18,489.54
Healthier Kids Foundation	Physical Health Screenings	\$9,944.92
Hope's Corner Inc	Healthy Food for Hope	\$18,489.54
Junior Achievement of Northern California	JA Mountain View Youth Economic Empowerment Initiative	\$7,500.00
Loaves & Fishes Family Kitchen	Meals on Wheels for Low-Income, Homebound Seniors	\$18,489.54

Agency Name	Program/ Activity Name	Funding Per Fiscal Year
MayView Community Health	Increasing Access to Medical Care for Underserved Mountain View Residents	\$12,525.09
Parents Helping Parents, Inc.	Supporting Families Raising Children with Disabilities	\$7,500.00
The United Effort Organization	Case Management Services for Vulnerable Populations	\$10,020.07
YWCA Golden Gate Silicon Valley	Domestic Violence Support Services	\$18,489.54
TOTAL GENERAL FUND		\$171,000

Human Relations Committee Public Hearing

At the [March 5, 2026](#), Human Relations Committee (HRC) meeting, staff presented the Fiscal Year 2026-27 Annual Action Plan funding recommendations. The HRC voted unanimously to accept the funding recommendations and recommend them to Council for approval. During the public hearing portion of the meeting, three of the City's CDBG-funded nonprofit partners, including Community Legal Services in East Palo Alto (CLSEPA), Senior Adults Legal Assistance (SALA), and Catholic Charities of Santa Clara County, provided comments to thank the Committee for the continued funding and to provide an overview of their programs.

Next Steps

The City Council's funding decisions will be incorporated into the Fiscal Year 2026-27 Annual Action Plan, which will be submitted to HUD by the May 15, 2026, submittal deadline.

FISCAL IMPACT

Approval of the Fiscal Year 2026-27 Annual Action Plan will not impact the General Fund. Approval of General Housing Funds in the amount of \$48,584 for supplemental CDBG public service funding and General Housing Funds in the amount of \$371,227 for CDBG contingency funding will reduce the City's General Housing Fund budget by those amounts. General Fund public service funding in the amount of \$171,000 is already included as part of the City's base budget and is not impacted by this action. Applicants approved for funding will be included in the Fiscal Year 2026-27 Recommended Budget for Council consideration and adoption in June 2026.

LEVINE ACT

California Government Code Section 84308 (also known as the Levine Act) prohibits city officials from participating in any proceeding involving a “license, permit, or other entitlement for use” if the official has received a campaign contribution exceeding \$500 from a party, participant, or agent of a party or participant within the last 12 months. The Levine Act is intended to prevent financial influence on decisions that affect specific, identifiable persons or participants. For more information see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html

Please see below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

SUBJECT TO THE LEVINE ACT

Contract or franchise agreement

ALTERNATIVES

1. Provide other funding recommendations for the Fiscal Year 2025-26 CDBG, HOME, and/or General Fund allocations.
2. Do not approve the use of General Housing Funds for supplemental CDBG public service funding and CDBG contingency funding or identify an alternative funding source.
2. Provide other direction.

PUBLIC NOTICING

The draft Fiscal Year 2026-27 Annual Action Plan was posted on the City’s [Affordable Housing](#) website on March 28, 2026 for a 30-day public comment period that opened on March 29, 2026 and is closing at 11:59 p.m. on April 28, 2026. Public notices advertising the public comment period and public hearings were published in the Mountain View Voice and the Palo Alto Daily Post, with links to the same notices in Spanish, Chinese, and Russian. Paper notices were posted to bulletin boards at City Hall, the City Clerk’s Office, and the Library. Notices about the public hearings and comment period were also sent to the Housing Interest List, which includes individuals and groups, such as public service and nonprofit agencies, affordable housing developers and property managers, and public agencies such as the County and the Santa Clara County Housing Authority.

Prepared by:

Approved by:

Alec Vybiral
Housing Officer

Wayne Chen
Housing Director

Julie Barnard
Affordable Housing Manager

Kimbra McCarthy
City Manager

Attachment: 1. Draft FY 2026-27 Annual Action Plan