

ITEM #:	<u>43</u>
DATE:	<u>03-10-26</u>
DEPT:	<u>P&H</u>

COUNCIL ACTION FORM

SUBJECT: DRAFT FY 2026-27 PROPOSED ANNUAL ACTION PLAN PROJECTS FOR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME PROGRAMS

BACKGROUND:

As part of the City's approved 2024-29 Five-Year Community Development Block Grant (CDBG) and HOME Consolidated Plan, the City must submit an Annual Action Plan that outlines the proposed activities and budget to be implemented in the upcoming fiscal year. Those activities should be consistent with the goals and priorities identified in the approved Consolidated Plan (See Attachment 1).

The activities identified in the Annual Action Plan should address the housing and community development needs of low- and moderate-income persons as well as the housing and community development needs of non- low- and moderate-income persons in the community. The Annual Action Plan can address one or all of the goals and priorities.

HUD guidelines outline the following key steps for Entitlements to review before establishing programs:

- Determine if the proposed activity is included in the list of eligible activities;
- Determine if the proposed activity meets the City's Consolidated Plan priority goals for addressing the needs of low- and moderate-income persons within the community;
- Determine if the proposed activity can meet one or more National Objectives;
- Ensure that carrying out the activity will meet HUD's requirement that 70% of the grantee's CDBG expenditures over a three-year period will be on activities that benefit low- and moderate-income persons; and
- Meet the performance measurements requirements (specifically our annual May 2 Timeliness Test for expenditure of current fund balance).

HUD regulations require that Annual Action Plans be submitted for approval within 45 days before the beginning of the program fiscal year (i.e., for the City of Ames, that would be by May 17, 2026). It also requires that the Plan be published for 30 days to allow for citizen input on the proposed project(s) for the utilization of the funds.

The 2026 CDBG and HOME funding allocations for entitlement cities have not yet been announced, which means that Action Plans cannot be submitted to HUD until the 2026 funding allocations are announced. Therefore, staff has requested an extension to submit the City's Plan on or before August 16, 2026, which is the latest statutory submittal date.

It is time, nevertheless, to begin the process for determining the 2026-27 Annual Action Plan Projects. Staff utilized projected funding allocations based upon the past year to draft the Annual Action Plan. The 2025-26 CDBG Allocation was \$552,927 and HOME Allocation was \$278,382.

The delays are not only inconvenient for identifying the funding amount; the delays from HUD impact the ability to implement projects. The HUD delays do not change the fiscal year starting point or timeliness test dates, which causes delays in receiving HUD approvals to start projects and fewer months to actually complete projects by May 2. **Therefore, staff believes that there should be continued emphasis with the Action Plan to implement higher-cost projects that will:**

- Assist in meeting our timeliness test requirements,
- Meet our 70% LMI benefit requirements,
- Can readily receive environmental review approval, and
- Can assist us in spending our program income that will be generated as we complete lot sales within the Baker Subdivision.

Staff is recommending that Council consider the following proposed program activities (see Attachment II-A for proposed 2026-27 CDBG Projects and II-B for proposed 2026-27 HOME Projects). **The funding is a combination of rollover funds, projected program income, and the next annual allocation.**

CDBG Program (See Attached Budget):

Projects funded with the new annual allocation and projected program income from lot sales for FY 2026/27 are:

- Homebuyer Assistance Program (city-wide) - \$326,854
- Public Facilities (Non-Profits) Rehabilitation Program (owner-controlled sites, building and site rehabilitation) - \$210,000
- Single Family Housing Rehabilitation- \$258,021
- Property Disposition (Baker, Duff, Grand Properties) - \$10,000

Continue in FY 2026/27 the following ongoing FY 2025-26 project activities with the FY 2025/26 Rollover funds:

- Public infrastructure Improvements (S 3rd and S Maple) - \$541,950*

*Proposed as an amendment to the current 2025-Action Plan as part of separate report on the same agenda.

The proposed revenue for FY 2026-27 includes the following three sources:

- CDBG Revenue of \$552,927 based on the 2025-26 allocation;

- Anticipated Program Income: Sale of two remaining Habitat home lots in the Baker Subdivision (\$100,000), along with six market-rate lots in the Baker Subdivision (average price per lot of \$58,861, totaling \$353,166); TOTAL \$453,166.
- Projected 2025-26 rollover balance of approximately \$541,950

HOME Program (See Attached Budget):

For the FY 2026-27 HOME Program, staff is recommending to reallocate the prior project and the funding related to New Single Family Home Construction - \$901,585. This proposed budget would assist in the construction of approximately three of the remaining six affordable lots in the Baker Subdivision.

No other programs are being proposed for HOME. The proposed revenue for FY 2026-27 is based on the 2025-26 allocation of \$278,382, and the projected 2025-26 rollover balance of \$1,035,038 totaling \$1,313,420 which includes \$411,835 of administrative and CHDO dollars. Deducting the administrative and CHDO dollars leaves \$901,585 available for programming.

If the 2026-27 CDBG/HOME new allocation amounts are lower or higher than the 2025-26 allocations, staff will adjust all programs down or up equally.

Next Steps:

As in the past, staff is meeting in advance with the Council to review proposed plan priorities and potential projects prior to conducting forums for further public input. Having Council set priorities first helps for the public to provide input on these priorities. Staff believes that focusing on the proposed CDBG/HOME projects for the 2026-27 program year will help make an impact on the need identified within the Consolidated Plan, while accomplishing program projects that have been adopted in the previous action plans that have not been completed.

Staff's rationale for recommending the CDBG and HOME project activities for FY 2026/27 listed above is as follows:

- The project activities are consistent with the recently adopted 2024-29 Five-Year Consolidated Plan goals. The following two barriers were outlined in the 2019 Impediments to Fair Housing Analysis Study. Additionally, the data outlined in the Comprehensive Housing Affordability Strategy (CHAS) and the American Community Survey (ACS) information for the City of Ames is consistent with the two needs outlined above.
- The proposed projects are consistent with the City Council's goals and priorities to focus on neighborhood sustainability by improving and expanding the housing stock for low- and moderate-income households and in our vital core neighborhoods.
- The proposed implementation sequence for the project activities should help meet HUD's timely expenditure requirements.
- All of the activities proposed would be of 100% benefit to low- and moderate-income persons.

Once the City Council provides direction for the proposed FY 2026-27 Annual Action Plan projects, staff will proceed with hosting public forums for citizen input and feedback on March 25. The public feedback will be shared with the City Council for final project selection to proceed with preparing the 2026-27 Annual Action Plan for the 30-day public comment period once HUD releases the funding allocations have been announced.

ALTERNATIVES:

1. Approve the proposed FY 2026-27 Annual Action Plan Program Projects and proposed budgets in connection with the City's Community Development Block Grant and HOME Program, as outlined above, direct staff to proceed with hosting public forums for citizen input and feedback, and direct staff to request an extension for submitting the Action Plan as needed.
2. Direct staff to proceed with a modified 2026-27 Annual Action Plan Program Projects and proposed budgets in connection with the City's Community Development Block Grant and HOME Program.
3. Refer this item back to staff with further direction.

CITY MANAGER'S RECOMMENDED ACTION:

The timeframe for the submittal of the FY 2026-27 CDBG and HOME Action Plan for the City of Ames is typically on or before May 17 each year. Despite the fact that federal allocations have not been announced at this time, staff needs to begin the process of soliciting public feedback for proposed projects in the Action Plan projects.

The proposed budget includes a combination of rollover funds, new allocation funds, and projected program income. Staff believes the proposed project types are consistent with the Consolidated Plan goals and priorities and are capable of being administered in a timely manner consistent with HUD requirements, including but not limited to Annual Action Plan approval, environmental project review, and the timeliness test. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.

ATTACHMENT(S):

[Attachment 1.pdf](#)

[CDBG 2026-27 Proposed Budget 3-5-26 PDF.pdf](#)

[HOME 2026-27 Proposed Budget 3-5-26 PDF.pdf](#)