

CITY OF MERCED

Merced Civic Center
678 W. 18th Street
Merced, CA 95340



ADMINISTRATIVE REPORT

File #: 26-211

Meeting Date: 3/16/2026

Report Prepared by: Kimberly Nutt, Housing Program Supervisor, Housing Division / Development Services Department

SUBJECT: First Public Hearing - Introduction and Preliminary Review of Project Funding Scoring Results and Expenditure Recommendations for Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) Funds for Fiscal Year 2026/27, to be Included in the Draft U.S. Department of Housing and Urban Development (HUD) Program Year 2026 Annual Action Plan; and, Receipt of Public Comment During a Public Hearing

REPORT IN BRIEF

Introduces project funding request applications received for the upcoming 2026 Annual Action Plan program year and results of project scoring; Introduces the preliminary estimated budget for the 2026 Program Year; Provides a brief update for the 2026 CDBG and HOME annual allocation announcement; Informs the Public and Council about upcoming public comment opportunities; and, provides a Public Hearing to receive Public Comment regarding all information provided.

RECOMMENDATION

City Council -

A. Conduct a Public Hearing to receive public comment that will be considered for inclusion in the final draft of the 2026 Annual Action Plan; and,

B. Review, discuss, and provide Council comment along with requested direction on the preliminary CDBG and HOME 2026 Annual Action Plan budgets, project funding applications and scoring, funding recommendations and prioritization of public service projects in consideration of the 15% public services cap, and direction regarding Contingency Plan adjustments after HUD's allocation announcement, for inclusion in the upcoming final draft of the 2026 Annual Action Plan.

ALTERNATIVES

No Council motion or Approval is necessary for this item.

Staff is requesting general comments and direction regarding project funding prioritization for public service projects and the presented Contingency Plan for when HUD announces its 2026 CDBG and HOME allocations.

AUTHORITY

Per Title 24 of the Code of Federal Regulations Section 91, cities and jurisdictions that receive Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) funding are required to involve citizens in the development of the Consolidated Plan (Con Plan),

Annual Action Plan (AAP), the Consolidated Annual Performance and Evaluation Report (CAPER), as well as any substantial amendments to the plans; the adopted City of Merced HUD Citizen Participation Plan (CPP); and the Charter of the City of Merced, Section 405, 409, and 411, et seq.

CITY COUNCIL PRIORITIES

As provided for in the 2025-26 and draft 2026-27 Council Goals and Priorities covering general support of community servicing, affordable housing and homelessness prevention, economic development and job training, and quality of life for residents.

DISCUSSION

Staff is requesting that Council hold the first of two planned Public Hearings in conjunction with the 2026 Annual Action Plan (AAP) currently being drafted by the Housing Division.

Public Comment is particularly sought that pertains to the information presented in this report, as well as other information that may be presented and discussed during the Public Hearing.

Information presented includes the estimated funding resources that staff anticipates being available for the program year, proposed projects that have requested 2026 funding, updated community needs priorities that have been identified as a result of public outreach efforts, and the proposed distribution and expenditure of the 2026-27 allocations of Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) funds, as well as remaining prior-year CDBG and HOME carryover and program income funds.

Additionally, staff is requesting comments from City Council members regarding the same above items, as well as direction regarding project funding and the Contingency Plan that has been prepared by Housing staff as a part of the draft plan.

An initial draft of the 2026 Annual Action Plan will be made available to the public during the upcoming 30-day Public Review and Comment Period (see below discussion).

The 2026 AAP is the second program year of the current Con Plan cycle and begins July 1, 2026, and ends on June 30, 2027 (PY 2026).

The City is required by HUD to serve a minimum of 70% of low- to moderate income (LMI) City residents and households with CDBG funds over at least three years of the five-year Con Plan period (designated as years 2025, 2026, and 2027). HOME funds are required to serve 100% LMI each year.

2026 HUD ALLOCATIONS AND TIMELINE

Based on the date of the Consolidated Appropriations Act (2026) passed by the U.S. Congress on February 3, 2026, it is estimated that HUD will announce the 2026 CDBG and HOME allocations in early April 2026. The City will then have 60 days from the date of the announcement to approve and submit a “timely” 2026 AAP to HUD (approximately June 3, 2026). The City has received HUD correspondence that indicates its announcement timeline is on schedule.

A “late” submission increases the likelihood that HUD would need to perform a compliance monitoring of the City’s Housing program at a later time. The regulatory deadline (“submit it or lose it”) is August 16th of each year. If this HUD deadline is missed, the City would forfeit its CDBG and HOME allocations.

A Public Notice was published on March 6th and 7th in the Merced County Times and Merced Sun-Star newspapers, respectively, which sets a Public Review and Comment Period to review a preliminary draft of the 2026 Annual Plan from Monday, March 23 to Wednesday, April 22, 2026.

A second and possibly final public hearing is targeted for the Council meeting of May 18, 2026.

ESTIMATED TOTAL FUNDING AVAILABLE

The preliminary 2026 Annual Action Plan budget, calculated on estimated CDBG and HOME allocation amounts at this time, is presented at Attachment 1 of this report.

Due to potential cuts by Congress in their final appropriation actions, staff has been using the conservative estimated amounts of \$900,000 for CDBG and \$350,000 for HOME funds, which is an approximate average of 20% less than the prior year’s actual allocation (current 2025-26 fiscal year). A budget with actual allocations and final project amounts will be presented at the Final Public Hearing (or sooner, if Council requests an updated budget and project funding list be presented following the allocation announcement).

For PY 2026, estimated grand totals of \$1,221,158 (CDBG) and \$875,612 (HOME) are preliminarily distributed to the proposed projects and categories discussed below. Final adjustments to the budget will be made once the respective allocation amounts are known.

Included in the above totals, staff is conservatively estimating that a total of \$108,000 (CDBG) and \$60,000 (HOME) of program income will be received by June 30, 2027. These estimated amounts can be used during the year for projects, since they will be listed in the AAP as available funds.

Proactively, the City *does* have the ability and option of informing the public of specifically how the City will utilize any additional program income that comes in over and above these estimated amounts in order to avoid having to do a Substantial Amendment during the year. This should be done during this hearing, other public hearings and comment period(s). Otherwise, amounts received above and beyond these estimates will be unavailable during the year without undertaking a separate, approximate 3-month-long substantial amendment process.

Also included in the above total, prior-year carryover funds currently stand at \$213,158.24 (CDBG), and \$465,612 (HOME) (as of 3/4/2026).

PROJECT FUNDING APPLICATION AND SCORING PROCESS

The application period for 2026 project funding requests was held the full month of January through February 17, 2026, during the Notice of Funding Opportunity (NOFO) process, which included two informative application workshops, and multiple as-needed technical assistance appointments with

Housing Staff.

Since the application deadline, staff has thoroughly reviewed each application to ensure that each potential project included costs and activities that are eligible under HUD's current CDBG and HOME regulations, meet a CDBG National Objective, and would meet one of the high priority community needs Goal and Objective categories included in the Strategic Plan section of the Con Plan.

Staff complied with HUD's risk analysis model and CDBG regulations by using an application scoring system, which was implemented last program year. This system evaluates project eligibility, program design, project management, prior experience, and budget.

Once individually scored, applications were ranked on a simple "A through F" graded percentage system. Scores of 59.9% and below were cut from consideration due to not meeting the passing score of 60% and above.

One project that received a "D" grade is not being recommended, partly due to its site not being secured, but also due to the Housing Division's self-assessment of its capacity to manage multiple public service and other technical projects, particularly a new project with an organization new to federal funding. HUD has continually encouraged the City to work effectively within its current staffing levels.

One application did not meet the minimum 60% score. While having merit conceptually, staff's evaluation is that both the requesting organization and project are not yet ready to move forward this year. Staff can meet with this organization over the next year or two to bring its organization and concept to a project-ready level, which would include assisting the organization in registering itself as a 501(c) non-profit, which is a requirement of receiving CDBG public service funding.

The complete results of the application and scoring process is provided at Attachment 2.

2026 Public Service Requests

The below-listed public service project funding applications were submitted by the February 17th deadline and received a passing score. A total of six organizations submitted public service-type program applications. Please see Attachment 2 for scoring results and recommendations.

HUD allows the Housing Division to charge Activity Delivery Costs (ADC) for public service projects upon completion of each project at the end of the program year. ADC revenue generated from public service projects is discussed in the Administrative Funding section further below.

1. Organization: Sierra Saving Grace Homeless Project
Program: "Emergency Assistance Program"
Requested: \$40,000 + ADC (recommended to move forward)
HUD project type: Short-term rental, utility, and mortgage assistance (Subsistence Payments)
Con Plan goal: 3D Provide Housing Stability & Homeless Prevention Services
Program Description: Sierra Saving Grace requests funding to provide short-term/one-time rental, mortgage, utility and security deposit assistance to LMI households at risk of

homelessness, foreclosure, or loss of electricity/gas due to temporary reduction of income, and to those who are homeless with a sufficient income source and need help paying security deposits and other up-front fees in order to secure housing. Payments will be made directly to the landlords, mortgage holders, or electric/gas utility company on behalf of the tenant/homeowner for a maximum period of three consecutive months.

2. Organization: Project Sentinel

Program: "Tenant/Landlord Mediation"

Requested: \$52,307.40 + ADC (recommended to move forward)

HUD project type: Tenant/landlord counseling

Con Plan goal: 3E Fair Housing and Dispute Resolution Services

Program Description: This project provides Tenant and Landlord Counseling Services to City of Merced residents. This program provides direct education and counselling services to tenants and landlords where cases of fair housing discrimination do not appear to exist, but where a clear dispute between tenants and landlords requires substantial intervention, mediation, and/or education to resolve problems. The project proposes to benefit 125 individuals with tenant-landlord counseling, opening a minimum of 25 cases, and conduct at least 4 workshops to educate the public.

3. Organization: Harvest Time

Program: "Food 4 You"

Requested: \$75,750 + ADC (recommended to move forward)

HUD project type: Food Distribution Services (Food Bank/Pantry)

Con Plan goal: 4A Provide vital public services for LMI individuals and families

Program Description: This organization provides prepared lunches and food box distributions to the homeless and LMI residents via a partnership with Merced Rescue Mission and by drive-thru pickup. Harvest Time requests funding for eligible hourly staffing, gas/electric utility, general liability and workers compensation insurance, and mileage costs for pickup of food donations/purchases from businesses both in and out of town, as well as delivery of food distributions. Of special note, final award of 2026 funding to this organization would be contingent upon re-securing its current location or with a timely relocation to an appropriate alternative distribution site.

4. Organization: Boys and Girls Club

Program: "Teen Workforce readiness program"

Requested: \$45,000 + ADC (recommended to move forward)

HUD project type: Employment Training

Con Plan goal: 1A Provide Community Based Job Training

Program Description: This program proposes to expand their workforce experience program to at least 51% low-mod income youth. The program will provide Youth 60 hours of on-the-job training with local businesses and 40 hours of in-class instruction. CDBG funds will support 20 youth identified as low-to-moderate income. The 40 hours of in-class instruction will provide mock job application/selection process, career exploration, job readiness, and financial literacy coursework. The organization collaborates with local high schools to market and recruit youth for the program.

5. Organization: Youth for Christ Central Valley

Program: "Merced City Life"

Requested: \$24,000 (not recommended to move forward)

HUD project type: Youth Services

Con Plan goal: 4A Provide vital public services for LMI individuals and families

Program Description: The organization requests CDBG funding to expand their community-based youth program to Merced residents from their Modesto-based location. This project targets at-risk youth and offers life-skills training, mentoring, resources provided to youth and families to promote career awareness, and family engagement. The project site proposes to provide services from the McNamara Center located in South Merced in partnership with LifeLine CDC (leaseholder). The program will partner with LifeLine and other organizations to reach at-risk youth and justice involved youth. City Life hosts family nights, and neighborhood block parties to promote family enrichment.

2026 Economic Development Requests

There was one project funding request that HUD considers as an Economic Development activity.

1. Organization: University of California, Merced

Program: "CDBG Housing and Economic Development Grant"

Requested: \$38,000 + ADC

HUD project type: Economic Development: Technical Assistance

Con Plan goal: 1B Provide Business Assistance

Program Description: UC Merced's Monarch Small Business Development Center proposes to expand their existing technical assistance training. Technical assistance will be offered to LMI entrepreneurs and small business owners in the City of Merced. Training and workshops will focus on startup essentials, industry-specific skills, market expansion, and business resiliency, all structured to accommodate time-constrained entrepreneurs.

2026 Housing Project Requests

Activity Delivery Cost (ADC) revenue generated from these housing projects is discussed in the Administrative Funding section further below.

1. Organization: Sierra Saving Grace Homeless Project

Program: "Sierra Saving Grace Rehab Project"

Requested: \$500,000 (CDBG) + ADC

HUD project type: Rehabilitation: Acquisition

Con Plan goal: 3C Assistance for Shelter/Supportive/Overnight/Transitional housing

Program Description: SSG is seeking 2026-27 funds to purchase an existing 1-4-unit residential property, repair/rehabilitate to current building codes, then rent to homeless/LMI individuals or families. Supportive case management will be provided by Sierra Saving Grace. Benefits of program are: 1) vacant market-rate properties are converted to LMI affordable rental housing units, which addresses the affordable rental housing unit shortage; 2) neighborhoods are improved by the rehabilitation of the units, which are usually purchased as vacant and dilapidated/blighted properties; and 3) preserves the City's housing stock, as units may need major repairs and are usually in older neighborhoods.

2. Organization: Merced Community Action Agency (CAA)

Program: Homeowner Weatherization

Requested: \$200,000 (HOME) + ADC

HUD project type: Rehabilitation: Single-Unit Residential

Con Plan goal: 5A Increase and rehabilitate existing homeowner housing

Program Description: The CAA requests funding to supplement their existing homeowner-occupied rehabilitation program, specifically to cover certain repairs that are not considered eligible by CAA's existing weatherization federal funding grant from the Department of Energy. This would allow the CAA to provide its homeowner clients with a much more complete repair project. Either CDBG or HOME funds may be used for this program, and Housing staff is initially suggesting that HOME funds be used. In awarding HUD funding, Housing staff would need to perform a two-tiered National Environmental Policy Act (NEPA) environmental review process before project activities could begin. Partly for this reason, staff is recommending this project be carried out over two program years, to ensure that all awarded funds are expended.

3. Organization: TBD

Program: Community Housing Development Organization (CHDO) Required Reserve

Required amount: \$52,500 (CHDO 15% X 2026 estimated HOME allocation \$350,000) + ADC

HUD project type: Rental Housing Land Acquisition/Construction or Rehabilitation

Con Plan goal(s): 3A and/or 3B (New Construction/Rehab of Affordable Rental Housing)

Program Description: The City is required to set aside at least 15% of its annual HOME allocation for CHDO projects. A specific eligible project has not been identified and will be identified when an eligible CHDO submits a funding request and goes through application process. After two years, funds may also be converted to regular HOME funds for use by non-CHDO projects at the request of Housing staff to HUD.

4. Organization: TBD

Program: TBD

Amount: \$576,537 (HOME) - includes approximately 3% ADC

Program Description: all remaining available HOME funding will be directed towards at least one or a combination of new affordable rental housing, rehabilitation of existing rental housing, or acquisition of vacant property for the purpose of building new affordable rental housing. A developer and project has not yet been selected, so these funds will be "banked" in its own, separate 2026 Annual Action Plan project for intended selection of an eligible project within the next one to two program years, as HUD has commitment of fund timeline requirements for each year of HOME funding it allocates to the City. Including rehabilitation of existing rental housing into the description of this holding project would allow additional funding to be moved to an alternative HOME CHDO project.

2026 Administrative Funding

1. Organization: Project Sentinel, Inc.

Program: Fair Housing Services

Requested: \$37,885.90 (HOME) *Maximum funds available in HOME administration funds are \$35,000-final amount will be updated with draft Annual Plan*

Program Description: Project Sentinel proposes to continue providing a fair housing services program to the City with available administrative funding, which the Housing Division will again budget out of its 10% HOME administrative funding cap. The amount requested exceeds the estimated 10% HOME administrative funding; therefore, the final awarded amount may potentially be reduced. The

funding for this project will be updated in the draft Annual Plan and final budget. Project Sentinel provides comprehensive services of Fair Housing Act rights enforcement (audits and complaint-based investigations), community outreach, training to housing providers, and education to residents. Education and outreach activities inform community members of their fair housing rights and responsibilities and are provided throughout rental and homeownership processes and are available to home seekers, in-place residents, and housing providers.

2. Organization: Merced City and County Continuum of Care-Merced County Human Services Agency

Program: Collaborative Applicant/Point in Time Count

Requested: \$50,000 (CDBG) + \$1,575 Activity Delivery

Program Description: The Merced County Human Services Agency acts as the “Collaborative Applicant” (legal entity) for the Merced City and County Continuum of Care (CoC) and provides administrative support to the CoC board. The CoC holds monthly meetings to create and strategize funding to address homelessness in the City and County jurisdictions. This includes enlisting staff and consulting services to accomplish annual data collecting, which is used to inform these decisions and strategies. Data is collected through the annual Point In Time (PIT) count, the Housing Inventory Count (HIC), and grant monitoring. \$50,000 of CDBG administrative funds will be made available to the Human Services Agency to support the City/County cooperative effort to reduce and eliminate homelessness within the City of Merced and County areas.

3. Organization: City of Merced Housing Division

Housing staff ADC costs will be budgeted against each individual Public Service project, as deemed appropriate to the number of hours that is anticipated to be spent on them. Some subrecipient projects require more hands-on Housing staff hours than others to implement and oversee through to completion for various reasons.

Attachment 1 provides the estimated budget for the 2026 program year, including all estimated amounts to be used for administrative and ADC costs. Until 2026 HUD allocations are announced, all amounts are currently estimated and staff-hour estimated percentages are not finalized.

COMMUNITY NEEDS ASSESSMENT

Resident Outreach and Agency Consultation Efforts

Housing Division staff kicked off multiple citizen participation efforts in December 2025, to reach as many City of Merced residents as possible in assessing the community’s current level of unmet needs. This assessment assists staff in determining the community needs. Emphasis and prioritization should be considered when scoring the project proposals from non-profit organizations and when publishing the initial notice to invite applications.

A Community Needs Survey was created and released online and in paper form to residents using several different outreach methods and means.

To solicit direct, in-person interaction with residents, multilanguage advertisements in English, Spanish, and Hmong were published in local newspapers on December 31, 2025, and January 1,

2026, that publicized two in-person resident input meetings, which provided residents with an opportunity to learn about and provide input to the development of the plan. These meetings were held on the evenings of January 6, 2026 (virtually) and January 7, 2026, in-person at the Merced Civic Center’s ADA-accessible Sam Pipes Room.

Housing staff also attended all three Town Hall Meetings held over the months of January and February 2026, noting public comment as to the needs and issues expressed by citizens and directly speaking with residents to inform them of the Annual Plan needs assessment and project funding processes, as well as soliciting additional needs survey responses.

HUD also requires the City to consult with public and private agencies that provide assisted housing, health services, and fair housing services during the Annual Action Plan process. This includes current and potential community non-profit organization partners, other governmental agencies, and public safety departments within the City that have direct contact with residents. Housing staff held one Stakeholder Input Meeting on January 16, 2026, also held in the Sam Pipes Room.

Timeline of Outreach Efforts

Outreach	Dates
NOFO posted to Housing Website and e-mailed to organizations	December 24, 2025
NOFO Period	12/24/25-2/17/26
Notice of Funding Opportunity (NOFO) letters mailed (128 mailed)	Week of January 5, 2026
Advertisement to City residents	Merced Sun-Star 12/31/25 and Merced County Times 1/1/26
Community Input Survey	1/07/26-2/17/26
Community Input Meetings	1/6/26-Virtual 6:00 pm 1/7/26-Sam Pipes Room City Hall 6:00 pm
Merced “The Bus” Monitors	1/07/26-1/31/26
Town Hall Meetings	1/8/26-Stephen Leonard Park 1/13/26-Burbank Elementary School 1/14/26-El Capitan High School
NOFO Published	Merced Sun-Star 1/14/26 and Merced County Times 1/15/26
Stakeholder Input Survey	1/14/26-2/17/26
Stakeholder Input Meeting	1/16/26-Sam Pipes Room City Hall 10:30 am
NOFO Workshops	1/20/26-Sam Pipes Room City Hall 2:30 pm 2/3/26-Sam Pipes Room City Hall 10:00 am
Public Hearing and 30-day Public Review & Comment Notice	Merced Sun-Star 3/6/2026 Merced County Times 3/6/2026

Public Hearing #1	3/16/26
Public Review and Comment Period	3/23/26-4/22/26
Public Hearing #2 Final	5/18/26

2026 Community Needs Survey

The Resident Community Needs Survey asked both City residents and interested non-residents to respond with what they see as the most needed and underfunded community needs are in the categories of housing, public service, public infrastructure, and economic development, as well as overall. The survey also asked questions regarding fair housing rights, knowledge, and experiences; in order to poll how well fair housing education efforts are reaching citizens and to understand some of the fair housing issues of the community.

Income level, ethnicity group, and language preference questions were also asked to help Housing staff understand what population sectors were responding to the survey and to inform staff as to what other languages are predominant in resident households. HUD requires the City to reach as many LMI and minority-group residents as possible. Thus, this survey is multi-purpose -- serving to assess both community need and staff's efforts to reach LMI level and all ethnicity groups.

After going live in December 2025, the online Community Needs Survey was pushed out to residents in the February 2026 utility bill newsletters, as well as on the City's social media pages, the City's "Subscribe Merced" service, and physical flyers were distributed to many different locations within the City of Merced including community facilities at affordable housing sites. Staff also collaborated with MCAG's "The Bus" transit busses to promote survey information on intercity bus displays. The needs survey "QR" code and weblink was also published in the newspaper advertisements for each language (English, Spanish, Hmong).

Housing staff have found that the use of the utility bill newsletter and social media posts are the most effective and least expensive outreach methods to directly reach and gather input from the greatest number of city residents, in that a much larger majority of residents are the most willing to answer a survey than any other participation method.

Outreach also encouraged citizens without internet service or smartphone QR code readers to call or email Housing staff to request paper hardcopies of the surveys to fill out and return by mail or drop-off. Paper surveys were available at all Town Hall meetings.

The survey closed successfully on February 17th with 99 total responses. 97 respondents were submitted on the English version survey, 1 response was received on the Hmong language survey, and 1 response was received on the Spanish language survey.

Community Needs Survey Results

As with all public input collected during this process, per HUD directive, assessment survey responses are to be used by both staff and Council to inform the effective decisions concerning programming of funding that must be made to address high community need. Survey results are also

used to evaluate how these needs change over time in relation to those assessed with the 2025-29 Consolidated/Five Year Strategic Plan (ConPlan).

From the survey, the following are the top three responses for each of the four needs categories and the top five overall needs, in order of greatest need:

Need Category	Top 3 Activities
Housing	1) Housing Opportunities for special needs persons (seniors, disabled, domestic violence victims) 2) Down payment assistance to First-Time Homebuyers 3) Vital safety repairs to homes (owner-occupied)
Neighborhood Improvements/Infrastructure	1) Water/sewer lines and connections, streets, sidewalks/crosswalks, storm drainage 2) Getting rid of trash, messy, overgrown areas, and hazardous items 3) Parks or Recreational Facilities
Economic Development	1) Job training for specific skills or areas 2) Helping small or microbusiness owners with low to moderate incomes grow and develop their businesses. 3) Street, water, parking, rail transport, or other upgrades to business and industrial areas
Public Services	1) Services for persons with special needs (seniors, disabled, domestic violence victims) 2) Assistance for homeless services 3) Youth programs including counseling, education, career training

Rank	Overall Need Category
1	Job Training, Skills development, money management programs
2	Affordable homeownership-related assistance
3	Homeless services, prevention, and housing solutions
4	Affordable quality childcare and/or youth centers and services
5	Services and programs for special needs persons (domestic violence victims, seniors, disabled, substance abuse)

Stakeholder Input Survey

Concurrently with the resident community survey, a stakeholder input survey was also pushed out to local organizations, government agencies, and non-profits to better understand their perspective on community needs.

From the survey, the following are the top three responses for each of the four needs categories, in order of greatest need:

Need	Top 3 Activities
Public Facilities	1) Facilities for Homeless 2) Youth Centers 3) Senior Centers
Infrastructure	1) Flood and storm drainage improvements 2) Street, signal, and traffic safety improvements 3) Sidewalks-lighting improvements
Social and Public Service	1) Services for Homeless 2) Senior Citizen Services 3) Youth Services
Economic Development	1) Capacity Building for Non-Profit Agencies 2) Business Support Services (for-profit businesses) 3) Exterior (Façade) improvement of commercial properties
Housing	1) Construction/creation of affordable rental housing units 2) Homeownership financing (purchase/rehab with homebuyer loan assistance) 3) Multi-family rehabilitation

Citizen Participation Plan (CPP)

As a HUD Grantee and jurisdiction that receives yearly allocations of HUD funding, the City of Merced is required to provide an opportunity for and encourage all citizens to participate in the development of its Consolidated and Annual Plans, the CAPER, and any amendments that are undertaken, especially its low- to moderate-income populations.

The City must follow its adopted CPP in doing so. The CPP sets forth the policies and procedures for citizen participation for all HUD-related plans and processes. The CPP also requires the City to engage residents and stakeholders in assessing the greatest needs of low-to-moderate income families to determine where to direct project funding.

IMPACT ON CITY RESOURCES

No budget or appropriation action is needed at this time.

Funding for the 2026 Annual Action Plan is represented in the concurrent development of the 2026-27 Housing Division budget in the overall City budget for the upcoming City fiscal year. At this time, the 2026 Annual Plan budget is being prepared with best estimates based on the most recent years' allocations and the current advisement of the City's assigned HUD CPD Representative.

Once announced, all estimated figures will be adjusted based on the contingency provisions currently being developed for the preliminary public draft of the Annual Plan that will be posted to the public for the 30-day review period scheduled for Monday, March 23 through Wednesday, April 22, 2026.

ATTACHMENTS

1. Preliminary 2026 CDBG and HOME Estimated Budget

2. Funding Application Scoring Results
3. Presentation

2026 Annual Plan Preliminary Budget as of 3/3/2026

Funding Source: CDBG

Available Resource:		Amount of Resource =		Total CDBG Available =	
HUD CDBG Allocation		\$ 900,000		\$1,221,158.00 (cents rounded down)	
Estimated 2026 Program Income		\$ 108,000			
Prior Year Carryover (as of 3/3/26)		\$ 213,158.24			
Organization/Agency	Description	HUD Project Type	REQUESTED	* ESTIMATED Award	
Public Service Activities	Maximum Available for Public Services = \$167,814 Calculation = CDBG Allocation \$900,000 + unallocated prior year program income \$218,766 x 15% * ESTIMATED RECOMMENDED PROJECT AMOUNTS ARE INITIALLY CALCULATED AT 74% OF REQUESTED, WITH \$84 BALANCE TO SIERRA SAVING GRACE. ** PS HOUSING ADC CALCULATED AT 6% OF PS CAP.				
Sierra Saving Grace	Short term emergency rental/mortgage/utility assistance; security deposits	05Q/Subsistence Payments	\$ 40,000	* \$ 29,684	
Project Sentinel, Inc	Tenant/landlord counseling service for city residents	05K/Tenant Landlord Counseling	\$ 52,307.40	* \$ 38,707	
Harvest Time	Food distribution to LMI/homeless	05W/Food Bank/Distribution	\$ 75,750	* \$ 56,055	
Boys and Girls Club of Merced County	Teen workforce readiness program	05H/Employment Training	\$ 45,000	* \$ 33,300	
Housing Division	Eligible costs of implementing all public Services activities (Activity Delivery)	Estimated average based on direct hours	15% of Cap (\$25,172)	** \$10,068	
Total public service funding (proposed/recommended):			\$ 238,229.40	\$ 167,814	
PUBLIC SERVICES 15% CAP (Estimated):			- \$ 167,814	\$ 167,814	
Over/Under public service cap:			\$ 70,415.40	----	
Housing & Infrastructure Projects					
Sierra Saving Grace	Acquisition with Rehabilitation	14G-Rehabilitation: Acquisition		\$ 500,000	
Housing Division	Activity Delivery Costs (estimated 5%)	14G-Rehabilitation: Acquisition		\$ 25,000	
Project TBD				\$ 286,844	
Housing Division	Activity Delivery Costs (estimated 5%)	14G-Rehabilitation: Acquisition		tbd	
Total Housing & Infrastructure ADC & Project Costs – CDBG:				\$ 811,844	
Economic Development					
UC Merced Monarch Small Business Center	Small Business Technical Assistance	18B-Economic Development: Technical Assistance		\$ 38,000	
Housing Division	Activity Delivery Costs (estimated 5%)	18B-Economic Development: Technical Assistance		\$ 1,900	
Total Economic Development Project Costs – CDBG:				\$ 39,900	
Administrative Activities	Estimated maximum available for CDBG administrative activities = \$201,600 Calculation = CDBG Allocation \$900,000 + Estimated 2026 Program Income \$108,000 x 20%				
Housing Division	Direct Administration costs	Admin	Remaining	\$ 131,600	
Housing Division	Indirect Administration costs	Admin	10% alloc + est PI	\$ 20,000	
Merced County HSA	Continuum of Care	Admin	\$ 50,000	\$ 50,000	
Total Admin Projects - CDBG:				\$201,600	
TOTAL - CDBG:				\$ 1,221,158.00	

2026 Annual Plan Project Applications & Preliminary Budget As of 3/3/2026

Funding Source: HOME

Available Resource:	Amount of Resource =		Total HOME Available =		
HUD HOME Allocation	\$ 350,000	\$ 875,612.00			
Estimated 2025 Program Income	\$ 60,000				
Prior Year Carryover (as of 3/4/2026)	\$ 465,612				
Organization/Agency	Description	Project Type	Project Costs	Activity Delivery	ESTIMATED Recommendation
Housing Activities	Maximum Available for Housing Activities = \$840,612				
Merced Community Action Agency	Homeowner Rehabilitation-Weatherization	Homeowner Rehabilitation	\$ 200,000	\$ 10,000 <i>(5% of project cost)</i>	\$ 210,000
To Be Determined	TBD project for new rental housing construction, rehab of existing rental units, and/or acquisition of property for rental housing	Affordable housing	\$ 559,745	\$ 16,792 <i>(3% of project cost)</i>	\$ 576,537
To Be Determined	CHDO-15% mandatory set-aside	Affordable Housing	\$ 52,500	\$ 1,575	\$ 54,075
Total Housing ADC & Project Costs – HOME:			\$ 812,745	\$ 28,367	\$ 840,612
Administrative Activities	Maximum available for HOME administrative activities = \$ 35,000 Calculation = HOME Allocation \$350,000 x 10%				
Project Sentinel, Inc	Fair Housing Services for city residents	Admin Fair Housing	\$ 35,000	N/A	\$ 35,000
Housing Division	Direct Administration costs	Admin	\$0	N/A	\$ 0
Total Admin Projects - HOME:					\$ 35,000
TOTAL - HOME:					\$ 875,612

*Fair Housing Requested \$37,885.90. - ESTIMATED Maximum administrative funds available in HOME are \$35,000. Actual award will be reduced. \$35,000 added in as estimate and placeholder.

PY 2026 CDBG/HOME Application – Scoring Results

Organization Name	Project Name	Funding/Category	Score	Status	Rank	Amount Requested
CDBG-Public Services						
Sierra Saving Grace	Emergency Subsistence	05Q-Subsistence Payments	89.0%	Accepted/ Recommended	1	\$40,000
Project Sentinel	Tenant/Landlord Mediation	05K-Tenant-Landlord Counseling	84.5%	Accepted/ Recommended	2	\$52,307.40
Harvest Time	Food 4 You	05W-Food bank/distribution	83.9%	Accepted/ Recommended	3	\$75,750
Boys and Girls Club of Merced County	Teen Workforce Readiness Program	05H-Employment Training	83.3%	Accepted/ Recommended	4	\$45,000
Youth for Christ Central Valley	Merced City Life	05D-Youth Services	73.6%	Accepted/ Preliminarily Not recommended	5	\$24,000
Sovereign Harmony Project	Harmony Care Closet	05Z-Other Public Services	38.3%	Accepted/Not Passing/ Not recommended	N/A	\$30,000
CDBG-Economic Development Projects						
UC Merced Monarch Small Business Center	Small Business Assistance	18B-Economic Development: Technical Assistance	77.5%	Accepted / Preliminarily Recommended	N/A	\$38,000
CDBG-Housing Projects						
Sierra Saving Grace	Acquisition with Rehabilitation	14G-Rehabilitation: Acquisition	78.3%	Accepted / Recommended	N/A	\$500,000
HOME-Housing Projects						
Merced Community Action Agency	Homeowner Weatherization Program (Rehab)	14A-Rehabilitation: Single Unit Residential	73.3%	Accepted / 2-year program recommended	N/A	\$200,000
Administrative Projects (non-competitive)						
Merced County Human Services Agency	Point-in-Time Homeless Count	Administrative	N/A	Accepted	N/A	\$ 50,000
Project Sentinel	Fair Housing Services	Administrative	N/A	Accepted	N/A	\$ 37,885.90

Scoring Key:

90-100% = Excellent (pass)

80-89.9% = Good (pass)

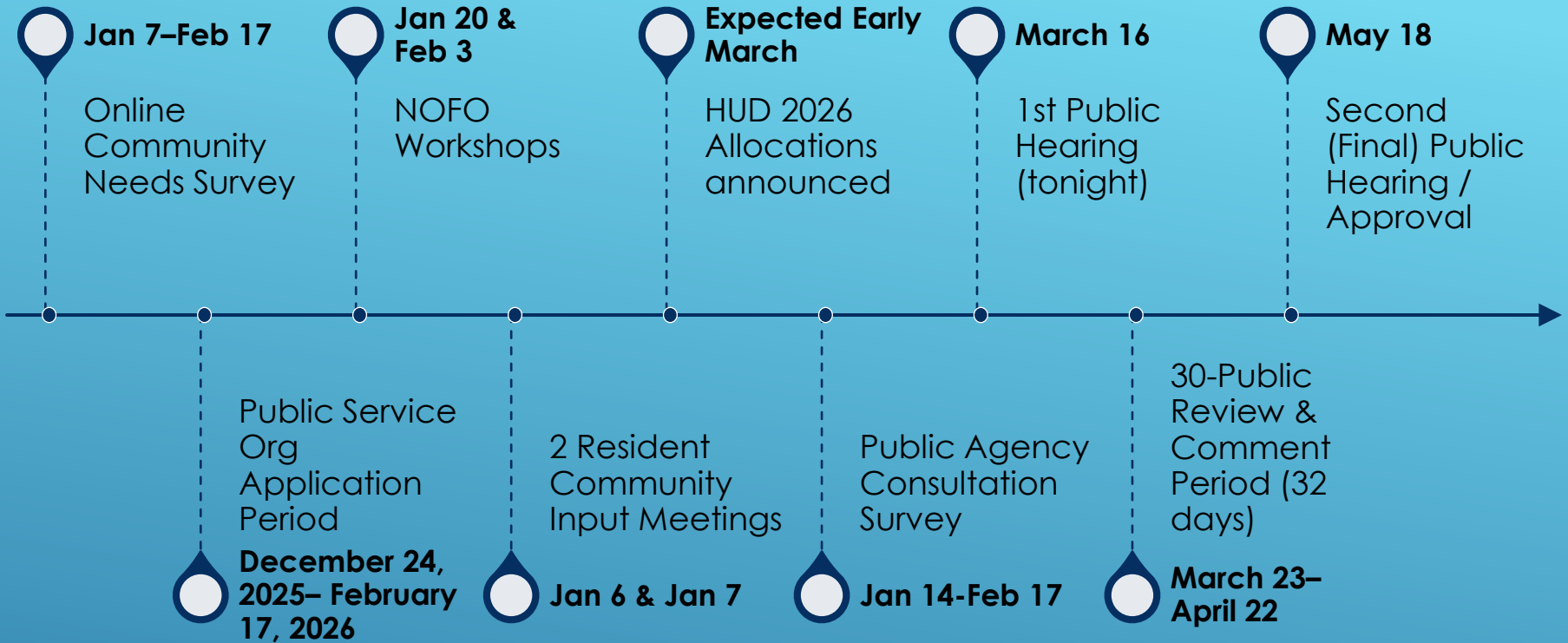
70-79.9% = Average (pass)

60-69.9% = Below Average (tentatively pass)

Below 60% = Not passing

2026 HUD ANNUAL ACTION PLAN

**Merced City Council
First Public Hearing – March 16, 2026**



2026 ANNUAL PLAN – TIMELINE

2026 RESIDENT SURVEY

Need	Top 3 Activities
Housing	<ol style="list-style-type: none"> 1) Housing Opportunities for special needs persons (seniors, disabled, domestic violence victims) 2) Down payment assistance to First-Time Homebuyers 3) Vital safety repairs to homes (owner-occupied)
Neighborhood Improvements/Infrastructure	<ol style="list-style-type: none"> 1) Water/sewer lines and connections, streets, sidewalks/crosswalks, storm drainage 2) Getting rid of trash, messy, overgrown areas, and hazardous items 3) Parks or Recreational Facilities
Economic Development	<ol style="list-style-type: none"> 1) Job training for specific skills or areas 2) Helping small or microbusiness owners with low to moderate incomes grow and develop their businesses. 3) Street, water, parking, rail transport, or other upgrades to business and industrial areas
Public Services	<ol style="list-style-type: none"> 1) Services for persons with special needs (seniors, disabled, domestic violence victims) 2) Assistance for homeless services 3) Youth programs including counseling, education, career training

2026 RESIDENT SURVEY

- 99 Total responses
- 1-submitted on Spanish language survey
- 1-submitted on Hmong language survey

Rank	Greatest Needs
1	Job Training, Skills development, money management programs
2	Affordable homeownership-related assistance
3	Homeless services, prevention, and housing solutions
4	Affordable quality childcare and/or youth centers and services
5	Services and programs for special needs persons (domestic violence victims, seniors, disabled, substance abuse)

2026-27 HUD ALLOCATIONS

- ▶ Possible announcement Mid-March
- ▶ U.S. Congress approved the Consolidated Appropriations Act February 3, 2026
- ▶ HUD has 60 days to announce allocations

2026 FUNDING REQUESTS & SCORING RESULTS

Organization Name	Project Name	Funding/Category	Score	Status	Rank	Amount Requested
CDBG-Public Services						
Sierra Saving Grace	Emergency Subsistence	05Q-Subsistence Payments	89.0%	Accepted/ Recommended	1	\$40,000
Project Sentinel	Tenant/Landlord Mediation	05K-Tenant-Landlord Counseling	84.5%	Accepted/ Recommended	2	\$52,307.40
Harvest Time	Food 4 You	05W-Food bank/distribution	83.9%	Accepted/ Recommended	3	\$75,750
Boys and Girls Club of Merced County	Teen Workforce Readiness Program	05H-Employment Training	83.3%	Accepted/ Recommended	4	\$45,000
Youth for Christ Central Valley	Merced City Life	05D-Youth Services	73.6%	Accepted/ Preliminarily Not recommended	5	\$24,000
Sovereign Harmony Project	Harmony Care Closet	05Z-Other Public Services	38.3%	Accepted/ Not Passing/ Not recommended	N/A	\$30,000
CDBG-Economic Development Projects						
UC Merced Monarch Small Business Center	Small Business Assistance	18B-Economic Development: Technical Assistance	77.5%	Accepted/Preliminarily Recommended	N/A	\$38,000
CDBG-Housing Projects						
Sierra Saving Grace	Acquisition with Rehabilitation	14G-Rehabilitation: Acquisition	78.3%	Accepted/ Recommended	N/A	\$500,000
HOME-Housing Projects						
Merced Community Action Agency	Homeowner Weatherization Program (Rehab)	14A-Rehabilitation: Single Unit Residential	73.3%	Accepted / 2-year program recommended	N/A	\$200,000
Administrative Projects (non-competitive)						
Merced County Human Services Agency	Point-in-Time Homeless Count	Administrative	N/A	Accepted	N/A	\$ 50,000
Project Sentinel	Fair Housing Services	Administrative	N/A	Accepted	N/A	\$ 37,885.90

2026 BUDGET – CDBG PUBLIC SERVICES

Organization/ Agency	Description	HUD Project Type	REQUESTED	* ESTIMATED Award
Public Service Activities	Maximum Available for Public Services = \$167,814 <u>Calculation</u> = CDBG Allocation \$900,000 + unallocated prior year program income \$218,766 x 15% * ESTIMATED RECOMMENDED PROJECT AMOUNTS ARE INITIALLY CALCULATED AT 74% OF REQUESTED, WITH \$84 BALANCE TO SIERRA SAVING GRACE. ** PS HOUSING ADC CALCULATED AT 6% OF PS CAP.			
Sierra Saving Grace	Short term emergency rental/mortgage/utility assistance; security deposits	05Q/Subsistence Payments	\$ 40,000	* \$ 29,684
Project Sentinel, Inc	Tenant/landlord counseling service for city residents	05K/Tenant Landlord Counseling	\$ 52,307.40	* \$ 38,707
Harvest Time	Food distribution to LMI/homeless	05W/Food Bank/Distribution	\$ 75,750	* \$ 56,055
Boys and Girls Club of Merced County	Teen workforce readiness program	05H/Employment Training	\$ 45,000	* \$ 33,300
Housing Division	Eligible costs of implementing all public Services activities (Activity Delivery)	Estimated average based on direct hours	15% of Cap (\$25,172)	** \$10,068
Total public service funding (proposed/recommended):			\$ 238,229.40	\$ 167,814
PUBLIC SERVICES 15% CAP (Estimated):			- \$ 167,814	\$ 167,814
Over/Under public service cap:			\$ 70,415.40	-23

2026 BUDGET – OTHER PROJECTS (CDBG)

Housing & Infrastructure Projects			
Sierra Saving Grace	Acquisition with Rehabilitation	14G-Rehabilitation: Acquisition	\$ 500,000
Housing Division	Activity Delivery Costs (estimated 5%)	14G-Rehabilitation: Acquisition	\$ 25,000
Project TBD			\$ 286,844
Housing Division	Activity Delivery Costs (estimated 5%)	14G-Rehabilitation: Acquisition	tbd
Total Housing & Infrastructure ADC & Project Costs – CDBG:			\$ 811,844
Economic Development			
UC Merced Monarch Small Business Center	Small Business Technical Assistance	18B-Economic Development: Technical Assistance	\$ 38,000
Housing Division	Activity Delivery Costs (estimated 5%)	18B-Economic Development: Technical Assistance	\$ 1,900
Total Economic Development Project Costs – CDBG:			\$ 39,900

2026 BUDGET – OTHER PROJECTS (HOME)

Organization/ Agency	Description	Project Type	Project Costs	Activity Delivery	ESTIMATED TOTAL
Housing Activities	Maximum Available for Housing Activities = \$840,612				
Merced Community Action Agency	Homeowner Rehabilitation- Weatherization	Homeowner Rehabilitation	\$ 200,000	\$ 10,000 (5% of project cost)	\$ 210,000
To Be Determined	TBD project: new rental housing construction, rehab existing rental units, or acquire property for rental housing	Affordable housing	\$ 559,745	\$ 16,792 (3% of project cost)	\$ 576,537
To Be Determined	CHDO-15% mandatory set- aside	Affordable Housing	\$ 52,500	\$ 1,575	\$ 54,075
Total Housing ADC & Project Costs – HOME:			\$ 812,245	\$ 28,367	\$ 840,612

2026 BUDGET – CDBG & HOME ADMINISTRATION

Administrative Activities	Estimated maximum available for CDBG administrative activities = \$201,600			
	Calculation = CDBG Allocation \$900,000 + Estimated 2026 Program Income \$108,000 x 20%			
	Description	Project Type	Requested	Estimated Budget
Housing Division	Direct Administration costs	Admin	Remaining	\$ 131,600
Housing Division	Indirect Administration costs	Admin	10% alloc + est PI	\$ 20,000
Merced County HSA	Continuum of Care	Admin	\$ 50,000	\$ 50,000
Total Admin Projects - CDBG:				\$201,600

Administrative Activities	Maximum available for HOME administrative activities = \$ 35,000			
	Calculation = HOME Allocation \$350,000 x 10%			
	Description	Project Type	Requested/Available	Estimated Budget
Project Sentinel, Inc	Fair Housing Services for city residents	Admin	\$ 35,000	\$ 35,000
		Fair Housing		
Housing Division	Direct Administration costs	Admin	\$0	\$ 0
Total Admin Projects - HOME:				\$ 35,000

Total CDBG Budget: \$ 1,221,158

Total HOME Budget: \$ 875,612

Public Hearing

Tonight:

Hold Public Hearing:

Receive Public
Comment

Council Direction

Tonight:

Provide Any Council
Comments

Direction regarding
Public Service
Funding Options

Finalization of AAP Budget

Forward:

Based on Council's
direction tonight,
Staff will prepare
project lists for
inclusion in:

**Public Review Draft –
30 day Public Review
Period March 23-
April 22**

**May 18, 2026 – 2nd
Public Hearing and
Approval of Final
Draft Plan**

TONIGHT'S ACTIONS & NEXT STEPS

An aerial photograph of a large, cleared construction site. The ground is brown and shows extensive tire tracks from heavy machinery. A paved road runs along the left side of the site, with several trees planted along its edge. In the background, a residential neighborhood with houses and lush green trees is visible under a clear sky. The word "QUESTIONS?" is overlaid in large white text on the left side of the image.

QUESTIONS?