



Department: Community Development
Cost Center: 4008
For Agenda of: 2/17/2026
Placement: Consent
Estimated Time: N/A

FROM: Timmi Tway, Community Development Director
Prepared By: David Amini, Senior Planner

SUBJECT: APPROVAL OF THE 2026-27 COMMUNITY DEVELOPMENT BLOCK GRANT RECOMMENDATIONS

RECOMMENDATION

Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, approving the 2026-27 Community Development Block Grant (CDBG) Program Funding Recommendations" for a total of \$284,404 (Attachment A.)

POLICY CONTEXT

The approved funding priorities and proposed funding recommendations from the Human Relations Commission (HRC) align with the City's Major City Goals for FY 2025-27 for Goal 3, Housing and Homelessness, specifically to:

Support the expansion of housing options for all, and continue to facilitate the production of housing, including the necessary supporting infrastructure, with an emphasis on affordable and workforce housing as well as accessibly connected development. Collaborate with local non-profit partners, non-governmental agencies, the county, the state, and federal governments to advocate for increased funding and implementation of comprehensive and effective strategies to prevent and reduce homelessness.

The 2026-27 CDBG program funding recommendations allow the City to further implement the General Plan [6th Cycle Housing Element](#) by satisfying the following on-going programs:

Housing Element Program 1.7 Continue to support local and regional solutions to homelessness by funding supportive programs, services, and housing solutions.

Housing Element Program 4.7 Affirmatively Further Fair Housing.

Housing Element Program 6.17 Financially assist in the development of affordable housing.

Housing Element Program 8.11 Continue to provide resources that support local and regional solutions to meet the needs of the homeless.

DISCUSSION

Background

The CDBG program is administered through the U.S. Department of Housing and Urban Development (HUD) and provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. As an Urban County under the CDBG program, the County of San Luis Obispo allocates funding to local jurisdictions in three separate program areas: Public Services, Development of Affordable Housing and/or Public Facilities, and Program Administration/Capacity Building. The City of San Luis Obispo is anticipated to receive an estimated allocation for the 2026-27 funding cycle of \$458,347 as a participant in San Luis Obispo County’s Urban County Program.

The total funding allocations allowed per category are as follows pursuant to applicable regulations:

Jurisdiction	Estimated total Allocation	County Admin Allocation (65% of 20%)	City Admin Allocation (35% of 20%)	City Public Services Allocation (15%)¹	City Remaining Funds Available for 2026-27 Affordable Housing and Public Facilities (65%)
City of San Luis Obispo	\$526,836	\$68,489	\$36,879	\$79,025	\$342,443
Available City Funds Total:			\$458,347		

The CDBG Program allows for a 20% Administration allowance. The City and County share the administration portion of funding in a 35% (City) /65% (County) split of the 20% Administration allowance, which was the negotiated split between the City and County as part of the regional effort to administer the reporting and administration requirements for a Consolidated Plan² for the 2025-2029 program years. The City’s 35% of the 20% Administration allowance of funding (\$36,879) is evenly divided between Administration and Capacity Building uses, which cover staff time spent administering the CDBG program (Administration), as well as staff time spent planning affordable housing projects through collaboration with regional providers (Capacity Building).

The 15% public services allocation is for applicants proposing service-based activities.

¹ Awards made for public services may not exceed 15 percent of the total amount of CDBG funds available pursuant to 42 U.S.C. 5305 (a)(8).

² The Consolidated Plan is a five-year strategic planning document for the Urban County of San Luis Obispo the “County”) that establishes the goals for the County’s community development and affordable housing activities. The U.S. Department of Housing and Urban Development (HUD) requires that San Luis Obispo County outline a vision for an effective and coordinated community development strategy.

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The remaining 65% of funding is made available for applicants proposing development of affordable housing or public facilities. The table above illustrates the amount of funds available to distribute for project applications after the administration allocation is removed from the total City allocation.

The City of San Luis Obispo received a total of seven applications for the 2026-27 Community Development Block Grant (CDBG) program, requesting a total of \$1,031,792. A total of \$104,025 was requested for the public services category by two separate applicants, and a total of \$890,888 was requested for the public facilities/housing projects category by three separate applicants. The full list of applicants and their funding requests is below in Table 1.

Applications were received from Community Partnership of San Luis Obispo (CAPSLO), 5 Cities Homeless Coalition (5CHC), San Luis Obispo Nonprofit Housing Corporation (SLONP), the City of San Luis Obispo, and People's Self-Help Housing. After allocation of the County's administration costs, there is \$458,347 available for allocation to applicants (up to \$79,025 for service-based applications, and \$342,443 for affordable housing or public facility projects). The City must submit recommended funding amounts to the County by February 20, 2026. County staff will hold a hearing and present the Action Plan to the Board of Supervisors in April 2026, and subsequently submit the Action Plan to HUD once approved. The 2026 Program Year will begin July 1, 2027, and end June 30, 2028.

Previous Council or Advisory Body Action

On October 21, 2025, the City Council [approved](#) the Human Relations Commission's recommended funding priorities for the 2026-27 CDBG funding year. The ranked priorities established by the City Council are:

1. Provide emergency and transitional shelter, homelessness prevention and services.
2. Develop and enhance affordable housing for low and very-low income persons.
3. Enhance economic development (to include seismic retrofit, economic stability, low- and moderate-income jobs).
4. Promote accessibility and/or removal of architectural barriers for disabled and elderly.

On November 5, 2025, the Human Relations Commission (HRC) reviewed the applications for funding and considered a staff-recommended funding allocation. After deliberation, the HRC approved the staff recommended funding allocation, as follows:

Table 1. HRC-Approved Funding Allocation

No.	Applicant	Activity	City 2026-27 CDBG	
			Funding Recommended	Funding Requested
Public Services				
1	Community Action Partnership of San Luis Obispo (CAPSLO)	CAPSLO Prado Homeless Services Center (Prado HSC) 2026-27	\$67,172.00	\$79,025.00
2	Peoples' Self-Help Housing	Supportive Housing Services	\$11,853.00	\$25,000.00
<i>SUBTOTAL</i>			\$79,025.00	\$104,025.00
Housing and Public Facilities				
3	San Luis Obispo Nonprofit Housing Corporation (SLONP)	Monterey Family Apartments	\$173,943.00	\$722,388.00
4	Access Support Network	Adriance Court Roofing	\$70,000.00	\$70,000.00
5	CAPSLO Energy Services	Minor Home Repair	\$98,500.00	\$98,500.00
<i>SUBTOTAL</i>			\$342,443.00	\$890,888.00
Administration and Capacity Building				
6	City of San Luis Obispo	CDBG Administration	\$18,439.50	\$18,439.50
7	City of San Luis Obispo	Capacity Building	\$18,439.50	\$18,439.50
<i>SUBTOTAL</i>			\$36,879.00	\$36,879.00
<i>TOTAL</i>			\$458,347.00	\$1,031,792.00

A copy of each 2026-27 CDBG application is provided in Attachment B.

Funding Recommendations

Staff is recommending a revision to the HRC funding recommendation to accommodate an important new funding opportunity for the Monterey Family Apartments.

After the HRC convened on November 5, 2025, to approve the funding recommendations, including a \$173,943 award to SLONP for the Monterey Family Apartments, SLONP was notified on November 21, 2025, that they had received a tax credit funding allocation from the state. This substantial funding award, which will support the completion of this important project, requires SLONP to close all project financing in March. This

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accelerated closing timeline means that SLONP will not be able to use the \$173,943 in the 2026-27 CDBG program year initially approved by the HRC, as it will not be available in time for the project's closing. There was not sufficient time for the HRC to re-evaluate, and for Council to approve, new funding recommendations based on this news to forward to the County by their final Action Plan approval deadline in February.

Based on this very recent news, SLONP, City staff, and County staff worked together to develop an alternative funding solution to allow the Monterey Family Apartments project to move forward.

The County is planning to award SLONP \$173,943 in CDBG funds from prior program years in exchange for the City authorizing the County to allocate \$173,943 in 2026-27 CDBG Housing and Public Facilities funding toward the 5 Cities Homeless Coalition Recuperative Care Facility project in Arroyo Grande, which was initially allocated the prior year funding that is now being awarded to Monterey Family Apartments.

Therefore, the City's funding allocation towards the Monterey Family project is proposed to be revised from \$173,943 to \$0. It is recommended that the City still award the full \$70,000 and \$98,500 in Housing and Public Facilities funding towards Adriance Court Roofing and CAPSLO Minor Home Repair, respectively.

Staff recommends that Council authorize the County to allocate a portion of the City's 2026-27 Housing and Public Facilities funds towards the 5 Cities Homeless Coalition Recuperative Care Facility project in exchange for the Monterey Family Apartments project being awarded prior-year funds by the County to allow SLONP to close financing in March to meet the tax-credit deadline.

The revised funding allocation based on staff's recommendation is below and can be found in Attachment C.

Table 2. Staff-Recommended Funding Allocation

No.	Applicant	Activity	City 2026-27 CDBG	
			Funding Recommended	Funding Requested
Public Services				
1	Community Action Partnership of San Luis Obispo (CAPSLO)	CAPSLO Prado Homeless Services Center (Prado HSC) 2026-27	\$67,172.00	\$79,025.00
2	Peoples' Self-Help Housing	Supportive Housing Services	\$11,853.00	\$25,000.00
<i>SUBTOTAL</i>			\$79,025.00	\$104,025.00
Housing and Public Facilities				

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3	San Luis Obispo Nonprofit Housing Corporation (SLONP)	Monterey Family Apartments	\$0.00*	\$722,388.00
4	Access Support Network	Adriance Court Roofing	\$70,000.00	\$70,000.00
5	CAPSLO Energy Services	Minor Home Repair	\$98,500.00	\$98,500.00
SUBTOTAL			\$168,500.00	\$890,888.00
Administration and Capacity Building				
6	City of San Luis Obispo	CDBG Administration	\$18,439.50	\$18,439.50
7	City of San Luis Obispo	Capacity Building	\$18,439.50	\$18,439.50
SUBTOTAL			\$36,879.00	\$36,879.00
TOTAL			\$284,404.00	\$1,031,792.00

*Revised to exchange 2026-27 CDBG funds for funding from prior program years. The 2026-27 exchanged funds in the amount of \$173,943 intended for Monterey Family Apartments will be allocated by the County towards the 5 Cities Homeless Coalition Recuperative Care Facility project. The Monterey Family Apartments project will receive prior-year CDBG funds from the County allowing SLONP to close financing in March to meet the tax-credit deadline.

Public Engagement

A public hearing was held by the Human Relations Commission (HRC) on November 5, 2025, to provide an opportunity for the public to comment on the funding recommendations for the 2026-27 CDBG funding cycle.

ENVIRONMENTAL REVIEW

The proposed CDBG funding allocations are not considered a “project” under Section 15378 of the CEQA Guidelines.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2026-27

Funding Identified: Yes

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
Federal	\$458,347	\$248,404		
Fees				
Total	\$458,347	\$248,404	\$	\$

The City will receive its share of the award for administration and capacity building. All other funds will be passed from the County directly to the grantees. As described above, the City is not using the full allocation of \$458,347 in order to benefit the Monterey Family Apartments.

ALTERNATIVES

Council may modify the recommended funding amounts.

ATTACHMENTS

- A – Draft Resolution adopting the 2026-27 CDBG Funding Allocations
- B – 2026-27 CDBG Applications
- C – Draft 2026-27 CDBG Funding Allocations