



Agenda Item

Community Development Block Grant Program Committee

Item #: 3.1.

3/12/2026

File #: 26-0016

TO: Community Development Block Grant Program Committee

THRU: Russell Bunim, Community Development Director

FROM: Jessica Herrera, Housing Manager

1. SUBJECT

Updates to the eligibility and preference criteria for the Tenant Based Rental Assistance Program.

2. SUMMARY

Consideration of proposed updates to the eligibility and preference criteria for the Tenant Based Rental Assistance Program

3. RECOMMENDED ACTION

1. Recommend the removal of the following eligibility and preference criteria from the Tenant Based Rental Assistance Program:
 - a. CalAim requirement
 - b. Eliminating the cash reward incentive
 - c. Define elderly as 62+ years of age
2. Direct staff to update the eligibility and preference criteria to reflect recommendations by the CDBG Committee, update the policies and procedures, and submit to the City Council for consideration and approval.

4. DISCUSSION AND BACKGROUND

On March 11, 2021, the American Rescue Plan (ARP) was passed in response to the COVID-19 pandemic. Congress appropriated \$5 billion in ARP funds to be administered through the HOME Investment Partnerships Program (HOME) and authorized the Department of Housing and Urban Development (HUD) to distribute the funds to participating jurisdictions (PJ) that qualified for an allocation of HOME funds in Fiscal Year (FY) 2021, of which Orange was a recipient.

On September 20, 2021, the City was notified that it was allocated \$1,655,186 in HOME-ARP funds. In order to access the funds, the City developed a HOME-ARP Allocation Plan (Plan) that described the consultation and public participation process that the City engaged in developing the Plan and outlines how the City will use HOME-ARP funds. The Plan was approved by HUD on May 8, 2023 that committed the funds to the operations of the Hub Resource Center (HRC) for supportive services to the unhoused community.

To meet the housing requirement of the HOME-ARP Allocation Plan and address some of the housing assistance needed within the City, the Plan proposed to establish a Tenant Based Rental Assistance (TBRA) Program with its annual HOME entitlement funds.

TBRA Program

A TBRA Program provides rental subsidy to assist individual households to address housing instability and insecurity by helping families afford housing costs such as rent or security deposits. On May 9, 2023, the City approved \$150,000 for a TBRA Program for security and utility deposit assistance as part of its 2023-2024 Annual Action Plan using HOME entitlement funds. The Annual Action Plan is required by HUD and outlines the City's intent for the use of funds in a given entitlement year.

As part of the approval, the following requirements were established to determine eligibility for an applicant:

1. Current City of Orange resident staying in the City of Orange;
2. Referred by a supportive services agency/organization;
3. Have applied for and be ineligible or denied for Cal-Aim assistance;
4. Have income below 80% of the area median income.

In addition, the following preferences were established:

1. Families with children under 12;
2. Veterans with a valid DD-214 (honorable discharge); and
3. Elderly persons as defined by the Social Security Administration eligibility of full retirement qualification.

TBRA Program

Since the launch of the TBRA Program in January 2025, the City has not received any applicants who met the program's eligibility criteria. After approximately one year of inactivity, staff conducted a programmatic review to determine whether the lack of utilization was attributable to a lack of community need or to structural barriers within the program design.

Following a review of the adopted program guidelines and consultation with Continuum of Care and supportive service providers, staff identified the primary barrier to access as the requirement that applicants first apply for and be determined ineligible for CalAIM assistance prior to receiving TBRA assistance.

Staff reviewed applicable HOME regulations and identified the following considerations:

1. HOME regulations at 24 CFR Part 92 do not require or authorize conditioning TBRA eligibility on denial from another program.
2. HUD evaluates HOME programs based on timely commitment and expenditure of funds. Prolonged inactivity increases the risk of timeliness concerns.
3. Additional eligibility criteria not tied to HOME statutory or regulatory requirements may be viewed during monitoring as creating unnecessary barriers to assistance.
4. Conditioning HOME TBRA eligibility on application to an unrelated health care benefit may undermine the independent purpose and structure of the HOME program.
5. TBRA eligibility should be based on HOME income and housing need requirements, not on

denial of assistance from external programs.

CalAIM provides limited housing-related assistance, including one-time security deposit and utility assistance, to eligible Medi-Cal members with documented health and social risk factors. It is a health care benefit administered through managed care plans and requires that an individual:

1. Be a Medi-Cal member;
2. Be enrolled in a participating managed care plan;
3. Be screened and determined eligible under Community Supports criteria; and
4. Provide documentation of qualifying medical and/or social risk factors.

Additionally, CalAIM assistance:

1. Is targeted to specific high-risk populations;
2. Is not available to all income-eligible renters; and
3. May be subject to plan funding limitations or provider capacity constraints.

While CalAIM provides valuable housing-related assistance, it is structured as a health care benefit and requires managed care enrollment, eligibility screening, and plan authorization. In practice, that process may not align with the rapid timeframe in which housing opportunities arise. HOME TBRA, by contrast, allows the City to respond more quickly to secure housing placements, prevent the loss of available units, and address housing instability consistent with HOME program objectives.

Tenant Incentive for Returned Deposits

In addition, staff determined that the well-intended provision allowing tenants who receive at least 80% of their security deposit back to retain 50% of the refunded amount as an incentive for proper unit maintenance may place the City at risk of a HUD monitoring finding and potential repayment obligation. Under HOME regulations, any TBRA funds returned to the City, including refunded security deposits, must be treated as program income and used for eligible HOME activities, such as additional TBRA assistance or other qualifying housing costs (e.g., gap financing for affordable housing developments). Once a tenant vacates the unit and the deposit is returned, those funds are no longer supporting an eligible housing cost. Disbursing a portion of the returned funds directly to the former tenant would constitute a cash incentive rather than an eligible HOME assisted housing expense, which is not permitted under HOME regulations.

Preference for Elderly Applicants

Social Security retirement eligibility varies by birth year, resulting in differing age thresholds for full retirement benefits. To ensure consistency and administrative clarity, staff recommends revising the elderly preference to apply to individuals 62 years of age or older, consistent with HUD's general definition of an elderly person.

HOME-ARP Compliance Requirements

The City has implemented and completed the activities identified in its HOME-ARP Allocation Plan (Plan), with the exception of the TBRA Program. To ensure compliance with HOME-ARP requirements and the approved Plan, the City must demonstrate that it undertook reasonable and documented efforts to fulfill its obligations.

HUD evaluates HOME-ARP performance based on adherence to the approved Allocation Plan, compliance with applicable regulations and Notice CPD-21-10 requirements, and timely commitment and expenditure of funds. As part of its program review, the City evaluated whether locally established eligibility criteria, though well-intentioned, may have created unintentional barriers to access beyond those required under HUD regulations.

This proactive review is intended to ensure that the TBRA Program is administered consistent with HOME-ARP statutory and regulatory requirements, supports timely expenditure of funds, and does not impose additional eligibility conditions unrelated to federal program requirements.

Recommended Updates

Staff recommends removing the CalAIM requirement, defining “elderly” as those 62+ of age, and removing the tenant “reward” incentive to reduce the City’s exposure to potential risks, including:

1. A HUD monitoring finding;
2. A determination of poor program performance or failure to meet HOME program objectives and regulatory requirements; and
3. The risk of future funding loss or repayment obligations for not fulfilling the approved Plan’s commitments.

HUD evaluates whether HOME funds are used in a timely, effective, and compliant manner. Program restrictions that result in zero activity increase the City’s exposure to compliance findings and potential funding risk. Furthermore, because the City is not obligated to continue the TBRA program beyond the FY 2023-2024 allocation, eliminating these well-intentioned but restrictive criteria will allow the City to meet its remaining obligations for HOME-ARP funding in accordance with federal requirements.