



Agenda Item

Orange City Council

Item #: 3.28.

4/28/2026

File #: 26-0013

TO: Honorable Mayor and Members of the City Council

THRU: Jarad Hildenbrand, City Manager

FROM: Russell Bunim, Community Development Director

1. SUBJECT

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

2. SUMMARY

Consideration of proposed updates the eligibility and preference criteria for the Tenant Based Rental Assistance Program Policies and Procedures adopted as part of the HOME Americal Rescue Plan Allocation Plan.

3. RECOMMENDED ACTION

1. Approve the following recommended changes to the eligibility and preference criteria for the Tenant Based Rental Assistance Program Policies and Procedures:
 - a. Remove the requirement to have applied for and denied for CalAIM as a requirement;
 - b. Specify definition of elderly persons to 62+;
 - c. Update income eligibility to 60% of Area Median Income;
 - d. Remove the tenant incentive for returned deposits.
2. Approve adding special consideration to applicants who are:
 - a. Experiencing homelessness;
 - b. At risk of homelessness;
 - c. Fleeing domestic violence, dating violence, sexual assault, or stalking.
3. Direct staff to update the Tenant Based Rental Assistance Program Policies and Procedures with the recommended changes and submit to the Department of Housing and Urban Development for approval and implementation.

4. FISCAL IMPACT

None.

5. STRATEGIC PLAN GOALS

Goal 3: Enhance Public Communication Strategy and Quality of Life

6. DISCUSSION AND BACKGROUND

On May 9, 2023, the City approved \$150,000 for a Tenant Based Rental Assistance (TBRA) Program for security and utility deposit assistance as part of its 2023-2024 Annual Action Plan (Attachment A) using HOME Investment Partnerships Program (HOME) entitlement funds. 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. The Annual Action Plan is required by HUD and outlines the City's intent for the use of funds in a given entitlement year. Detailed information about the program background is provided in Attachment B.

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 CalAIM 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.

Since the launch of the TBRA Program in January 2025, the City has not received any applications from households that qualify under the adopted eligibility criteria, resulting in no utilization of the allocated HOME funds. 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.

CalAIM Requirement

Following a review of the adopted program guidelines and consultation with the Orange County Continuum of Care and supportive service providers, staff determined that the requirement to first apply for and be denied CalAIM assistance created an unintended barrier to access that limited the program's ability to respond to housing opportunities.

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 a health care benefit administered through managed care plans and requires enrollment, eligibility screening, and plan authorization. These requirements may not align with the timeframe in which rental housing opportunities arise.

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 funds returned 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.

Income Eligibility

A review of TBRA programs administered by other HOME participating jurisdictions found that many programs limit eligibility to households earning 60% of Area Median Income (AMI) or below. Though federal regulations allow for up to 80% AMI for eligibility, a more restrictive income threshold ensures that the City's limited HOME resources are directed to households most likely to experience barriers to securing housing, including those at risk of homelessness, families with children, seniors, and veterans. Households within this income range are more likely to face difficulty covering upfront move-in costs such as security deposits and utility deposits, particularly in the current rental market.

This adjustment also aligns the program with common HOME program practices nationwide, where TBRA and housing stability programs frequently target households earning 60% of AMI or below in order to prioritize lower-income households and maximize the housing stability impact of available

federal funds.

Special Consideration Criteria

Staff recommends adding language to the program guidelines that provides special consideration for households experiencing homelessness, at risk of homelessness, or fleeing domestic violence, dating violence, sexual assault, or stalking. The special criteria clarifies the City's intent to align the program with federal housing policy priorities and best practices for housing stability programs.

The revision also strengthens the City's compliance with federal protections, including the Violence Against Women Act (VAWA), which ensures that survivors of domestic violence, dating violence, sexual assault, and stalking are not denied housing assistance due to their circumstances.

Providing special consideration for these households helps ensure that limited HOME funds are used strategically to assist individuals and families facing the highest risk of housing instability. The change also supports coordination with local service providers and regional homelessness response systems, improving access to housing opportunities for vulnerable residents.

HOME-ARP Compliance Requirements

On September 20, 2021, the City was allocated \$1,655,186 in HOME Investment Partnerships HOME American Rescue Plan (HOME-ARP) funds in response to the COVID-19 pandemic through HUD. To access the funds, the City developed a HOME-ARP Allocation Plan (Plan) that described the consultation and public participation process used to develop the Plan and outlined how the City would use the funds. The Plan was approved on May 8, 2023 and committed the funds to the operation of the HUB Resource Center (HRC) for supportive services to individuals experiencing homelessness.

To support the housing objectives identified in the Plan, the Plan proposed establishing a TBRA Program with its HOME funds. The City has implemented and completed the activities identified in its HOME-ARP Allocation Plan (Plan), except for 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, staff 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.

CDBG Program Committee Recommendations

On March 12, 2026, the Community Development Block Grant Program Committee (Committee) convened to review the TBRA guidelines and recommendations. After careful consideration, the Committee moved to recommend the removal of 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.

Additional Staff Recommendations

Following the Committee meeting, staff conducted additional research on TBRA program administration best practices and identified the two additional updates that would further strengthen program compliance and effectiveness. These include adjusting the income eligibility threshold to 60% of AMI and adding special consideration criteria for vulnerable households. Staff is bringing these items forward for Council consideration at this time in order to move forward with the program in a timely manner.

HUD evaluates HOME programs based on whether funds are used in a timely, effective, and compliant manner. Program restrictions that result in little or no activity increase the City's exposure to potential compliance findings and funding risks. Because the City is not obligated to continue the TBRA program beyond the FY 2023-2024 allocation, removing these well-intentioned but restrictive criteria will allow the City to meet its remaining obligations related to HOME-ARP funding in accordance with federal requirements. These updates will also enable the City to administer the TBRA program in a manner consistent with HOME regulations while ensuring that limited housing resources are directed to households with the greatest need.

7. ATTACHMENTS

- Attachment A - Staff Report for FY2024 Annual Action Plan
- Attachment B - Staff Report for TBRA Program Guidelines
- Attachment C - Updated Draft Tenant Based Rental Assistance Program Policies and Procedures