

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: January 22, 2026

PREPARED BY: Lorena Ritchey, Management Analyst

SUBJECT: APPROVE OUTSIDE AGENCY FUNDING COMMITTEE
RECOMMENDATIONS FOR THE PROGRAM YEAR 2026-27
COMMUNITY DEVELOPMENT BLOCK GRANT ANNUAL ACTION PLAN
AND REALLOCATE COMMUNITY DEVELOPMENT BLOCK GRANT
FUNDS FOR PROGRAM YEARS 2023 AND 2024

RECOMMENDATION:

1. Conduct a public hearing and accept public comment to consider Substantial Amendments to the PY 2023 and PY 2024 CDBG Annual Action Plans.
2. Adopt a Substantial Amendment to PY 2023 to reallocate \$50,000 in unused CDBG funds to PY 2026 for Desert ARC public infrastructure improvements.
3. Adopt a Substantial Amendment to PY 2024 to reallocate \$80,000 in unused CDBG funds to PY 2026 for Desert ARC public infrastructure improvements.
4. Conduct a public hearing and accept public comment related to the Community Development Block Grant ("CDBG") Program Year (PY) 2026-27.
5. Approve Outside Agency Funding Committee ("Committee") recommendations for PY 2026-27 CDBG award of subrecipients, programs and/or projects, and funding amounts as proposed.
6. Approve the use of the PY 2026-27 CDBG funding allocation awarded to the City of Palm Desert ("City") by the U.S. Department of Housing and Urban Development ("HUD") for the proposed funding of subrecipients' programs and/or projects recommended by the Committee.
7. Approve the City's PY 2026-27 CDBG Annual Action Plan ("Annual Plan") and authorize staff to submit to the County of Riverside Housing and Workforce Solutions (HWS).
8. Authorize the City Manager to execute any documents necessary to implement the actions taken herewith.

BACKGROUND/ANALYSIS:

The City of Palm Desert receives annual CDBG funds from HUD to support eligible public services and capital improvement projects benefiting low- and moderate-income residents. As part of routine program oversight, the City reviews prior-year CDBG projects to ensure compliance with HUD requirements, including timely expenditure of funds.

This review identified unspent funds from prior program years resulting from cost savings, scope changes, or alternative funding sources. To remain compliant with HUD timeliness requirements and ensure effective use of CDBG resources, these funds must be reallocated. The following section describes the City's Substantial Amendment Reallocation Strategy for addressing these prior-year balances.

Substantial Amendment Reallocation Strategy

Over time, some CDBG-funded projects may not fully expend awarded funds due to cost savings, scope changes, or the availability of alternative funding sources. To remain compliant with HUD timeliness requirements, unspent funds must be reallocated.

The City has identified \$130,000 in unspent CDBG funds from prior program years including Program Year 2023-2024 (PY 2023) and Program Year 2024-2025 (PY 2024). In consultation with the City's CDBG consultant and County HWS, staff developed a reallocation plan for City Council consideration. Pursuant to the City's Citizen Participation Plan, a Substantial Amendment is required when reallocating \$25,000 or more, or when adding or removing a project.

Reallocation Details by Program Year

Program Year (PY)	Amendment Type	Original Project	Original Allocation	Reallocated Amount	Receiving PY	Receiving Project
2023	Substantial Amendment	The Joslyn Center – ADA Bathroom Improvements	\$50,000	\$50,000	2026	Desert ARC – Public Facilities and Improvements (HVAC Replacement)
2024	Substantial Amendment	The Joslyn Center – ADA Bathroom Improvements	\$75,000	\$75,000	2026	Desert ARC – Public Facilities and Improvements (HVAC Replacement)
2024	Substantial Amendment	Desert Recreation Scholarship Program	\$5,000	\$5,000	2026	Desert ARC – Public Facilities and Improvements (HVAC Replacement)
Total	—	—	—	\$130,000	—	—

Community Impact

By reallocating \$130,000 in unspent CDBG funds from prior program years to PY 2026 for Desert ARC, the City will direct additional resources toward public facilities and improvements meeting the criteria of HUD national objectives.

Project Year 2026-27 - Outside Agency Committee Recommendations

The Outside Agency Committee, comprised of the Mayor, Mayor Pro Tem, City Manager, Finance Director, and Deputy Director of Economic Development, reviewed the PY 2026–27 CDBG applications and funding priorities. Each application was evaluated for consistency with HUD national objectives and the intended purpose of CDBG funds; when an application did not meet eligibility requirements, the reason was documented in the CDBG Funding Recommendations Budget Summary. The Committee recommends approval of the PY 2026–27 CDBG budget in accordance with HUD requirements and the City’s anticipated allocation.

The City anticipates receiving \$365,400 in CDBG funds for FY 2026–27, which will be included in the Proposed Annual Budget. Federal regulations limit public services to 15% (\$54,810) and program administration to 20% (\$73,080) of the award; there are no funding caps for public facilities and improvements.

To achieve significant cost savings in program management, the City Council approved the Joint Recipient Cooperative Agreement with the County HWS on June 8, 2023. This agreement designates the City as a Metro City participant and transfers responsibility for the general administration of grant funds and the submission of all required reports to HUD from County HWS.

County HWS requires PY 2026-27 CDBG applications to be submitted to the County Board of Supervisors for approval in January 2026. To meet the County's HWS December 18, 2025, submittal deadline, the City opened its local application period on October 15, 2025, with a published deadline of November 15, 2025. Because the deadline fell on a Saturday, applications were accepted through the next business day, November 17, 2025.

County HWS has acknowledged and agreed with the City Council's January 2026 approval timeline. Notice of Funding Availability was posted on the City's CDBG webpage, published in *The Desert Sun*, and distributed directly to prior recipients and interested organizations via email and phone outreach.

The City received six (6) applications. The County conducted the initial eligibility review, determining that three applications did not meet national objective requirements. The remaining three (3) applications were evaluated by the Committee, and funding recommendations were developed based on their eligibility. Applications that did not meet the national objective criteria are listed individually in the table with a \$0 funding recommendation.

Of the three applications recommended for funding, two applicants, Joslyn Center and Desert ARC, are located within the City of Palm Desert and have received CDBG funding in prior years. Operation SafeHouse, Inc., located in Thousand Palms operates the Harrison House Transitional Living Program, which serves 10 unduplicated homeless youth ages 18–24, and have also received CDBG funding in prior years. The Harrison House program provides an 18-month transitional living environment with shelter, case management, counseling, education, and job-training assistance, with a goal of placing participants into living-wage employment and permanent housing. The program is not duplicative of CityNet or CVAG, which focus on outreach and short-term homelessness response, as Operation SafeHouse provides long-term, residential transitional housing with on-site supportive services.

The Committee's funding recommendations are presented in the table on the following page and will be incorporated into the Annual Action Plan submitted to the County HWS, if approved.

Program Year 2026-27 Community Development Block Grant Funding Recommendations \$365,400					
Applicant		Activity Description	PY 26-27 Request	PY 26-27 Recommendation	PY 25-26 Approved*
Public Services (15%)					
1	Jewish Family of the Desert	Emerg Financial Assistance	\$10,000	\$0	\$0
2	Jewish Family of San Diego	Street Outreach	\$15,000	\$0	\$0
3	Operation Safe House Inc	Youth Homeless Transitional Living	\$18,000	\$18,000	\$16,750
4	Food in Need of Distribution	FIND Mobile Market - PDHS	\$20,000	\$0	\$0
TOTAL			\$63,000	\$18,000	\$16,750
Public Facilities and Improvements (No Cap)					
5	The Joslyn Center	Replace (7) A/C Units	\$100,000	\$100,000	\$100,000
6	Desert ARC	Replace (7) HVAC Units	\$471,212	\$174,320	\$0
TOTAL			\$571,212	\$274,320	\$100,000
Program Administration (20% Cap)					
7	County Administrator	County's shared cost 13%	\$47,502	\$47,502	\$0
8	City Administrator	City's shared cost 7%	\$25,578	\$25,578	\$73,000
TOTAL			\$73,080	\$73,080	\$73,000
GRAND TOTAL			\$707,292	\$365,400	\$189,750

For PY 2025–26, City Council approved additional program funding totaling \$175,250 for Desert Recreation District, Fair Housing, and the Palm Desert Housing Authority, which, when combined with \$18,750, results in a total approved CDBG allocation of \$365,000.

It should be noted that the recommended allocation to Desert ARC is not inclusive of the \$130,000 recommended reallocation. When combined, this funding approach results in a total project allocation of \$304,320, supporting timely project completion and the effective use of prior-year funds.

Public Review:

PY 2026-2027 Recommendation of CDBG Funds:

As a condition for receiving CDBG funds, grant recipients must be consistent with the County HWS Consolidated Plan, and the City must conduct a public hearing to allow input from the public. City staff published a 30-Day Notice of Public Hearing in the Desert Sun on December 21, 2025, and a 10-Day Notice of Public Hearing on January 22, 2026, in English and Spanish.

Substantial Amendment:

The 30-day public comment period for the Substantial Amendment posted from December 18, 2025, through January 18, 2026. Notice of the public hearing was published in The Desert Sun on December 18, 2025. The draft Substantial Amendment was posted on the City's website for public review throughout the entire comment period.

Legal Review:

This report has been reviewed by the City Attorney's Office.

FINANCIAL IMPACT:

The City anticipates receiving approximately \$365,400 in CDBG funds for FY 2026-27, which will be budgeted in CDBG Fund 2204800-4388000. Up to 20% of the award may be allocated to administrative costs to manage the CDBG Program which will be split between the County and City (13%/7% respectively). Remaining funds will be allocated to the various program awardees. The administrative amount allocated to the City will reimburse the General Fund for associated staff costs. In total, the City currently has \$1,077,361 in multi-year CDBG allocations awarded across all active projects. All eligible CDBG project costs are 100% reimbursable by HUD.

ATTACHMENTS:

1. CDBG Funding Recommendations Budget Summary
2. Palm Desert Program Year 2023 Annual Action Plan Substantial Amendment 3
3. Palm Desert Program Year 2024 Annual Action Plan Substantial Amendment 2
4. CDBG Presentation will be provided prior to the meeting