Folsom City Council
Staff Report

MEETING DATE:	6/23/2026
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 11650 – A Resolution Authorizing the City Manager to Execute a Cooperation Agreement with Sacramento Housing and Redevelopment Agency for Continued Participation in the Community Development Block Grant Program and Related Activities from January 1, 2027 to December 31, 2030
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Move to Adopt Resolution No. 11650 – A Resolution Authorizing the City Manager to Execute a Cooperation Agreement with Sacramento Housing and Redevelopment Agency for Continued Participation in the Community Development Block Grant Program and Related Activities from January 1, 2027 to December 31, 2030.

BACKGROUND / ISSUE

The City of Folsom currently has a Community Development Block Grant (CDBG) cooperation agreement with the Sacramento Housing and Redevelopment Agency (SHRA). This agreement authorizes SHRA, on behalf of the County of Sacramento, to undertake essential community development and housing assistance activities in Folsom and to approve eligible programs and/or projects for years 2024, 2025 and 2026 for the urban county of Sacramento. Local governments that participate in the urban county for purposes of CDBG also automatically participate in the HOME investment partnerships program (HOME) and Emergency Solutions Grant Program (ESG). As part of this agreement, SHRA is responsible for the annual filing of the One-Year Action Plan and the Consolidated Annual Performance and Evaluation Reporting (CAPER) with the U.S Department of Housing and Urban Development (HUD), on behalf of Folsom.

Currently, the City of Folsom uses CDBG funds for the Seniors Helping Seniors Handyman Program, ADA projects, and the City’s proportional contribution to the regional Renter’s Helpline contract.

The current Cooperation Agreement will expire on December 31, 2026. To continue participating in the SHRA-administered CDBG, HOME, and ESG programs, the city must enter into a new Cooperation Agreement for program years 2025, 2026, and 2027. Entering into this Agreement will provide approximately $228,000 annually in CDBG funds to support the City's Seniors Helping Seniors Home Repair Program, the City's proportional contribution to the regional Renter's Helpline contract, and other eligible programs and projects.

To meet HUD's deadline of August 10, 2026 for full package submittal, the city must submit a letter and an approved resolution to SHRA by July 8, 2026, affirming its interest in entering into the renewed Cooperation Agreement.

Staff is requesting City Council approval of the attached resolution to continue in the Cooperation Agreement for the next three years, ensuring ongoing support for the Seniors Helping Seniors Program, the Renter's Helpline, and other eligible activities such as ADA improvements associated with the proposed food bank expansion.

POLICY / RULE

Participation in the Sacramento Housing and Redevelopment Agency's cooperation agreement requires City Council authorization.

ANALYSIS

Use of CDBG Funds in the City of Folsom

In 1987, the City of Folsom, as a subrecipient of SHRA, began receiving CDBG funds to support affordable housing rehabilitation loan programs and ADA accessibility upgrades. Over the years, these funds have enabled the City to provide ADA improvements and issue more than 200 rehabilitation loans to low-income homeowners.

Since 2012, the City has used a portion of its CDBG allocation to fund the Seniors Helping Seniors (SHS) Program. The program provides Minor Repair Grants of up to $5,000 per household and Major Repair Grants of up to $12,000 to address serious health and safety hazards in owner-occupied senior housing units. The program currently uses $200,000 of the City's annual CDBG allocation. Since its launch, approximately $2.3 million has been invested in the program, benefiting more than 300 senior households in Folsom.

In addition to the SHS program, the City contributes a proportional share of its CDBG allocation (currently $10,000) to support the regional Renter's Helpline contract. This program provides free tenant-landlord counseling, mediation assistance, and referrals to help resolve rental housing issues and support local housing stability.

The remaining balance of the City's CDBG allocation is available for other eligible activities. Due to the relatively small amount of uncommitted funding (approximately $28,000 per year), these funds have been designated for ADA accessibility upgrades. Unused funds may be carried forward, allowing allocations to accumulate for use in future eligible projects. For example, in 2025, the City combined remaining funds from 2022, 2023, and 2024 to support $42,000 in ADA improvements along Glenn/School Street.

Anticipated Annual CDBG Funding

SHRA allocates annual CDBG funding to the City of Folsom using the average of HUD's two allocation formulas, which establishes the City's proportional share (currently 4.95 percent) of the Sacramento County entitlement. SHRA then applies a 20 percent administrative deduction before funds are distributed to the City.

Based on our recent allocation, if the City does decide to enter into a new Cooperation Agreement with SHRA it is expected that the City would receive approximately $228,000 in net CDBG funding annually over the next three-year period to support the Seniors Helping Seniors program and small-scale ADA improvements. These funding levels, which are summarized in the table below, are expected to remain relatively stable over the next three years, assuming HUD funding levels remain consistent.

2026 CDBG Allocation Summary Table

Allocation Component	Amount
Total Allocation to City of Folsom (before admin)	$298,520
20% SHRA Administrative Cost	($59,704)
Total Allocation After Admin	$238,816
Renter's Helpline Contribution	($10,000)
Remaining Funding Available to the City	**$228,816**
Planned Annual Allocation to SHS	($200,000)
Remaining Funds for Other Eligible Uses	$28,816

Evaluation of Entitlement Jurisdiction Status

Periodically, the City has evaluated whether it would be beneficial to transition from a subrecipient of SHRA to becoming an independent CDBG entitlement jurisdiction. As in past years, the City retained a consultant to prepare an updated analysis of the financial, operational, and administrative implications of pursuing entitlement status. This analysis is included as Attachment 2 to this staff report.

The assessment found that becoming an entitlement jurisdiction would require additional staff capacity and substantial new administrative responsibilities, including full accountability for CDBG monitoring, environmental review, financial management, reporting, and compliance—functions currently performed by SHRA on the City's behalf. Although entitlement status could modestly increase the City's annual allocation, current federal formulas estimate an award of approximately $380,000 annually, compared to the roughly $300,000 the City currently receives through SHRA.

While 20 percent of the $380,000 the City might receive can be used to cover these administrative expenses, this amount is often insufficient to pay for all these costs. This is because entitlement jurisdictions must prepare a Consolidated Plan every five years and then Action Plans and Consolidated Annual Performance Evaluation Reports (CAPER) every year. Furthermore, City staff must be trained in and use HUD's Integrated Distribution and Information System (IDIS) for all withdrawals of any grant funds. In addition, prior to 2025, all entitlement jurisdictions had to prepare an Analysis of Impediments to Fair Housing Choice (AI). If a new federal administration changes the current ruling, jurisdictions may have to prepare the AI again as well. As a result, the General Fund or the City's Housing Fund may have to be used to pay for all administrative costs in excess of the 20 percent limit.

Many CDBG administrators consider at least $500,000 necessary to support the staffing needed to operate the program independently, and based on current staffing levels and workload, the City would need to add a new part-time housing position and/or consultant support, along with increased workload for the Finance Department and City Attorney's Office, to manage a stand-alone CDBG program. Based on these operational and financial factors, staff has concluded that entitlement status would not provide a meaningful financial benefit, in terms of CDBG funding, at this time.

While entitlement status would provide greater local control over CDBG funds, this advantage is limited by the City's relatively small allocation and the restricted number of qualifying low- and moderate-income (LMI) areas, which narrow the range of eligible projects and reduce the potential for broad community impact. Additionally, in future cases where state or federal programs tie funding eligibility to CDBG entitlement status (such as the Permanent Local Housing Allocation (PLHA) program) the City would gain control over those funds as well. However, this would also require the City to assume all associated administrative, compliance, and reporting responsibilities for those programs.

Finally, another reason that City staff explored the entitlement jurisdiction pathway was due to possible legislative action that might have impacted the annual allocation of CDBG funds that the City receives from SHRA. Senate Bill 802 by Senator Ashby originally proposed consolidating federal, state and local housing funding into a new joint powers authority or JPA to combat homelessness in Sacramento County. However, the bill has been substantially amended to clarify that local jurisdictions retain local control over local, state and federal funds that they receive. As a result, staff no longer believe that becoming an entitlement jurisdiction with a direct allocation of funds from HUD is necessary to protect the City's access to CDBG and other federal funds.

Recommendation

Staff recommends that the City Council authorize the City Manager to execute a Cooperation Agreement with the Sacramento Housing and Redevelopment Agency (SHRA) for continued participation in the Community Development Block Grant (CDBG) Program and related activities from January 1, 2027, through December 31, 2030. This action will allow the City to maintain access to CDBG funding while continuing to rely on SHRA's established administrative capacity and program expertise, ensuring compliance with federal requirements without creating additional staffing or financial burdens for the City.

FINANCIAL IMPACT

There is no impact to the City's General Fund. Financial support for the City's participation in the Cooperation Agreement is provided through Community Development Block Grant funds (Fund 201), which cover program activities, and the City's Housing Fund (Fund 238), which currently supports staff time associated with administering these activities.

ENVIRONMENTAL REVIEW

The project is categorically exempt from environmental review under Section 15061(b)(3) of the CEQA Guidelines (Review for Exemption). The activity is covered by the commonsense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Since entering into a funding agreement with SHRA is certain to not cause a significant effect on the environment, the activity is not subject to CEQA.

ATTACHMENTS

1. Resolution No. 11650 – A Resolution Authorizing the City Manager to Execute a Cooperation Agreement with Sacramento Housing and Redevelopment Agency for Continued Participation in the Community Development Block Grant Program and Related Activities from January 1, 2027, to December 31, 2030

2. 2026 City of Folsom Community Development Block Grant Entitlement Exploration

Submitted,

Pam Johns, Community Development Director

ATTACHMENT 1

A Resolution Authorizing the City Manager to Execute an Agreement with Sacramento Housing and Redevelopment Agency for Continued Participation in the Community Development Block Grant Program and Related Activities from January 1, 2027 to December 31, 2030

RESOLUTION NO. 11650

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY FOR CONTINUED PARTICIPATION IN THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AND RELATED ACTIVITIES FROM JANUARY 1, 2027 TO DECEMBER 31, 2030

WHEREAS, the City of Folsom currently participates in the Sacramento Urban County Community Development Block Grant (CDBG) Program as a subrecipient through a Cooperation Agreement with the Sacramento Housing and Redevelopment Agency (SHRA); and

WHEREAS, participation in the Urban County also provides the City with access to the HOME Investment Partnerships Program (HOME) and the Emergency Solutions Grant (ESG) Program; and

WHEREAS, the City of Folsom uses its annual CDBG allocation to support the Seniors Helping Seniors Home Repair Program, ADA accessibility improvements, and the regional Renter's Helpline contract; and

WHEREAS, the current Cooperation Agreement between the City and SHRA will expire on December 31, 2026; and

WHEREAS, to continue participating in the SHRA-administered CDBG, HOME, and ESG programs, the City must enter into a new Cooperation Agreement for the 2027, 2028, and 2029 program years (January 1, 2027 through December 31, 2030); and

WHEREAS, continued participation is expected to provide approximately $228,000 annually in net CDBG funds to support essential housing and community development activities within the City of Folsom; and

WHEREAS, staff has evaluated the financial and administrative implications of alternative program structures, including entitlement jurisdiction status, and recommends continued participation in the Urban County based on cost efficiency, administrative capacity, and community benefit.

WHEREAS, cooperation with the Sacramento Housing and Redevelopment Agency on the CDBG Program contributes to the City of Folsom 2021-2029 Housing Element goal of providing a range of housing services for Folsom residents with special needs, including seniors and persons with disabilities;

WHEREAS, this is an administrative agreement between the City of Folsom and SHRA and is therefore not considered a project or subject to review under Section 15061(b)(3) of the California Environmental Quality Act (CEQA) guidelines;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Folsom that the City Manager is hereby authorized to execute a Cooperation Agreement with the Sacramento Housing and Redevelopment Agency for continued participation in the Community Development Block Grant Program and related activities from January 1, 2027, through December 31, 2030.

PASSED AND ADOPTED on this 23rd day of June 2026, by the following roll-call vote:

AYES: Councilmember(s):

NOES: Councilmember(s):

ABSENT: Councilmember(s):

ABSTAIN: Councilmember(s):

____
Justin Raithel, MAYOR

ATTEST:

____
Christa Freemantle, CITY CLERK

ATTACHMENT 2

2026 City of Folsom Community Development Block Grant Entitlement Exploration

MEMORANDUM

DATE	June 15, 2026
TO	Pam Johns, Community Development Director; Desmond Parrington, Planning Manager; and Stephanie Henry, Housing Manager
ADDRESS	50 Natoma Street, Folsom, CA 95630
FROM	Jennifer Gastelum, PlaceWorks
SUBJECT	**2026 City of Folsom Community Development Block Grant Entitlement Exploration**

The City of Folsom's (City's) Community Development Block Grant (CDBG) contract with the Sacramento County Urban County Consortium was approved in September 2023 and runs through December 31, 2026. The City is gathering information regarding logistics and potential advantages and disadvantages to becoming an entitlement jurisdiction. Based on preliminary research, the primary benefit to entitlement is control over decision-making on funds and a possible increase to the City's annual allocation amount.

The U.S. Department of Housing and Urban Development (HUD) does not publish standard guidelines or a process to becoming an entitlement jurisdiction. Based on conversations with HUD, cities that reach a population of over 50,000 are eligible for entitlement status, meaning a direct allocation of CDBG funds. The U.S. Census reports to HUD each year. HUD then follows federally mandated procedures to notify that city and urban county of the City's eligibility.

In June 2026, a HUD representative noted that the 2024 estimate for the city's allocation was $360,900 and the estimated allocation amount for the current fiscal year is $380,000. The representative added that this amount should only be used as a planning estimate and that HUD cannot guarantee that this amount would reflect the City's allocation upon accepting entitlement status. At this point, if the City decides it wants to become an entitlement grantee, a formal decision to not continue as part of the Urban County must be sent to SHRA by July 8. The City will also need to engage with the local HUD field office to prepare required plans and documents to achieve entitlement status. The required plans include a Consolidated Plan, a first-year Action Plan, and possibly an Analysis of Impediments to Fair Housing Choice. Based on our experience and discussions with other jurisdictions that have become entitlement jurisdictions in recent years, the planning process will take roughly a year to complete.

The primary challenge associated with becoming an entitlement jurisdiction is the significant increase to the administrative burden and corresponding staff costs. While the CDBG program does allow for up to 20 percent of the annual entitlement to be used in administration, the administrative burden is substantial and is not reduced by a lower entitlement award. According to a representative from HUD's San Francisco office, it is typical to use a small team to administer the CDBG program. This team may include staff and/or consultants. Any increase to the City's annual allocation would need to be able to support the additional administrative burden to be feasible. Based on an analysis of the City's most recent communication with HUD, and the City's current staffing capacity, it is highly unlikely that an entitlement award would be large enough to cover the cost of managing the program. As administration costs from the CDBG program have hard caps, any unreimbursed administration costs would need to be covered by the City's General Fund or another source.

Overview of CDBG

The CDBG program provides communities with resources to address community development needs. The CDBG program is intended to facilitate affordable housing and services to vulnerable segments of the population and create jobs through business retention and expansion. Eligible activities include, but are not limited to:

- Acquisition of real property
- Relocation and demolition
- Rehabilitation of residential and nonresidential structures
- Construction of public facilities and improvements such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes
- Public services, within certain limits
- Activities relating to energy conservation and renewable energy resources
- Provision of assistance to profit-motivated businesses to carry out economic development and job retention

Generally, ineligible activities include:

- Acquisition, construction, or reconstruction of buildings for the general conduct of government
- Political activities
- Certain income payments
- Construction of new housing by units of local government

At least 70 percent of CDBG funds must be spent on activities that benefit low- and moderate-income persons. There are several strategies for justifying that a program benefits these community members. For example, public facilities and improvements projects are most commonly justified through an “area benefit”, in which the jurisdiction demonstrates that at least 51 percent of residents in the area served have low or moderate incomes. Alternatively, such projects can also qualify under the “limited clientele criteria” if they specifically serve communities that are typically lower income, such as homeless persons or persons with disabilities. In other circumstances they could be projects to clear slum or blight, or be facilities or improvements constructed in service of creating or maintaining jobs that are available to or held by LMI persons.

As another example, the low- or moderate-income resident benefit for economic development projects can be justified in several ways. An example of an economic development project that might be justified under an “area benefit” would be a grocery store in a predominantly low- or moderate-income neighborhood. Economic development projects could also be justified through a “limited clientele criteria” justification if the economic development project specifically supports the business of a low- or moderate-income entrepreneur or the project provides employment support services or job training that supports predominantly low- or moderate-income residents. Job-creation or job-retention projects could also be justified as supporting low- or moderate-income residents if the roles are held or expected to be held by a low or moderate-income person.

HUD determines the amount of grants based on a formula that accounts for community need, including the extent of poverty, population, housing overcrowding, age of the housing stock, and any population growth lag as compared to other metropolitan areas. As previously mentioned, the local HUD office noted that the 2024 estimate for the city’s allocation was $360,900 and the estimated allocation amount for the current fiscal year is $380,000.

USE OF CDBG FUNDS

HUD has established specific restrictions regarding the percentage of the annual CDBG allocation that can be used for specific categories. The use of funds must conform to the following guidelines:

- A maximum of 20 percent of the annual allocation may be used for program administration
- A minimum of 70 percent of the annual allocation must be used to fund activities that benefit low- and moderate-income persons
- A maximum of 15 percent of the annual allocation may be used to fund public services (public services include, but are not limited to, employment services, crime prevention and public safety, child care, domestic violence victim support, health services, substance abuse services, tenant landlord housing counseling, education programs, energy conservation, senior citizen services, homeless services, welfare services, down payment assistance, and recreational services). Public services funds must be used for a new service or a quantifiable increase in the level of an existing service that was provided using local government funding in the 12 months prior to the submission of the Consolidated Plan Annual Action Plan to HUD. Examples of funded public services programs in Rocklin include food and meal delivery services for seniors, services for low and moderate-income youth, and assistance for victims of domestic violence or sexual assault. In other communities, such as the City of Orange, these services also include food pantries or school supply distribution activities. Examples of recreation services that have received funding include after-school programs, summer camps, and youth sports leagues. Senior and special needs recreational programs and public facility improvement that include installing and rehabilitating park infrastructure, playgrounds, and recreational equipment for ADA accessibility.

"NON-ENTITLEMENT" AND "ENTITLEMENT"

CDBG funds are allocated annually to states, counties, and local jurisdictions. Jurisdictions designated as "entitlement" communities include central cities in Metropolitan Statistical Areas (MSA), metropolitan cities with populations of at least 50,000 (as determined by the U.S. Census), and qualified urban counties with populations of 200,000 or more (excluding the populations of entitlement cities). Funds for "non-entitlement" localities are administered by states. In California, the Department of Housing and Community Development (HCD) manages the CDBG funds for non-entitlement communities, and awards project-specific funds to communities through both a competitive grant process and an over-the-counter award process. Jurisdictions that receive funding through either a direct entitlement or through participation in an urban county entitlement are typically not eligible for State-managed CDBG funds.

FOLSOM CDBG PROGRAM

Folsom receives CDBG funds through an agreement with the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is the recipient for Urban County CDBG funds in Sacramento County. The Urban County consists of the Cities of Folsom (approximately 83,916 as of 2024), Isleton (approximately 522 as of 2024[1]) and Galt (approximately 26,589 as of 2024), and the unincorporated communities of the county.

As shown in Table 1, in 2026 the total SHRA allocation to the City was $298,520, of which 20 percent was used for SHRA administrative costs. The City uses its funds for the City's Seniors Helping Seniors Handyman Program, which includes minor repairs to correct health and safety deficiencies, as well as a contribution to the Renter's Helpline program. After accounting for these program costs, $28,816 are available for eligible uses.

Table 1. City of Folsom 2026 CDBG Allocation Summary

ALLOCATION COMPONENT	AMOUNT
Total Allocation to City of Folsom (before admin)	$298,520

[1] Population estimates from 2024 used in this analysis are based on data from the 2020-2024 American Community Survey (ACS) Five-Year Summary. Though the California Department of Finance publishes data more frequently, ACS data was used because this source is commonly used by HUD.

20% SHRA Administrative Cost	($59,704)
Total Allocation After Admin	$238,816
Renter's Helpline Contribution	($10,000)
Net Funding Available to the City	$228,816
Planned Annual Allocation to SHS	($200,000)
Remaining Funds for Other Eligible Uses	$28,816

Source: City of Folsom, 2026

ENTITLEMENT CONSIDERATIONS

A variety of factors must be considered in the decision regarding whether to pursue entitlement status at this time. Factors may include the availability of staff resources and expertise, local politics and City priorities, and entitlement process timing, as well as the outcome of negotiations with the County regarding the potential renewal of the Urban County agreement.

Staff Resources/Administration. Many CDBG administrators agree that unless a city is eligible for at least $500,000 per year, it is not worth pursuing funding individually because the program could not provide enough funding to cover the cost of staff to administer the program.

Allocation Potential. An increase in the City's annual allocation as a result of becoming an entitlement jurisdiction is possible but not guaranteed. According to a HUD representative, the City may expect to receive approximately $380,000 in funds in its first year. As is shown in Table 2, based on this estimate, if the City spends the maximum percentage of allocation funds on administration costs ($76,000), up to $57,000 will be available for public services, which would leave at least $247,000 available for other eligible projects.

Table 2. City of Folsom Potential Distribution of Estimated Allocation Funds

CATEGORY	AMOUNT
Maximum Percentage for Administration (20%)	$76,000
Maximum Percentage for Public Services (15%)	$57,000
Remaining Allocation for Other Eligible Projects	$247,000
Total Estimated Allocation	$380,000

Upfront Reporting Costs. According to estimates based on data received from two consultants working in the region, upfront costs for completing the initial studies could be between $82,000 and $115,000 (see Table 3). The consultants suggested that the estimated annual cost for completing annual reports could be between approximately $20,000 and $27,000. Actual costs will vary based on staff or consultant hourly costs, and so may be higher than the estimates provided in Table 3. Therefore, first year costs may exceed the maximum amount of administrative funds available in the allocation.

Other Administrative Costs. It is important to note that upfront reporting costs do not reflect the entire cost of administering a CDBG program. Other costs include staff time for planning, managing, coordinating, and implementing the city's CDBG program. An example would be staff time spent writing city CDBG program policies or developing and distributing information on how public services providers can apply for funding. Administrative costs do not include staff time for directly carrying out an activity (e.g. City staff conducting a job training workshop or Public Works staff renovating a park). As previously mentioned, a representative from HUD's San Francisco office, said it is typical to use a small team of two to three staff to administer the CDBG program. This team may include staff and/or consultants. In addition to annual reporting costs of $20,000 - $27,000 it can be assumed that doing the day-to-day management of the program costs another $20,000 - $30,000. Both jurisdictions studied (Lincoln and Rocklin) plan to use the full 20 percent of the allocation that is allowed to be used toward administrative costs. The City of Lincoln is too early in their entitlement process to have a full understanding of the administrative cost associated with administering the program, but they did assume it will cost above and beyond their CDBG (20 percent) administrative cap and they will have to find additional funds to keep the program going. Depending on the selected uses of the allocated funds and the cost of staff time, the administrative cost required could be greater than the 20 percent cap. As is shown in Table 2, based on an estimated allocation of $380,000, up to $76,000 of allocation funds would be available for administrative uses.

Table 3: Upfront and Ongoing Reporting Costs

DOCUMENT	RANGE
First 5-Year Consolidated Plan and Action Plan, 5-Year Analysis of Impediments	$70,000 – $100,000
First Consolidated Annual Performance and Evaluation Report (CAPER)	$12,000 – $15,000
Subtotal, Estimated Upfront Reporting Costs	**$82,000 – $115,000**
Annual Action Plan	$10,000 – 15,000
Consolidated Annual Performance and Evaluation Report (CAPER)	$10,000 – 12,000
Subtotal, Estimated Annual Reporting Costs	**$20,000 – 27,000**

Source: PlaceWorks, 2026.

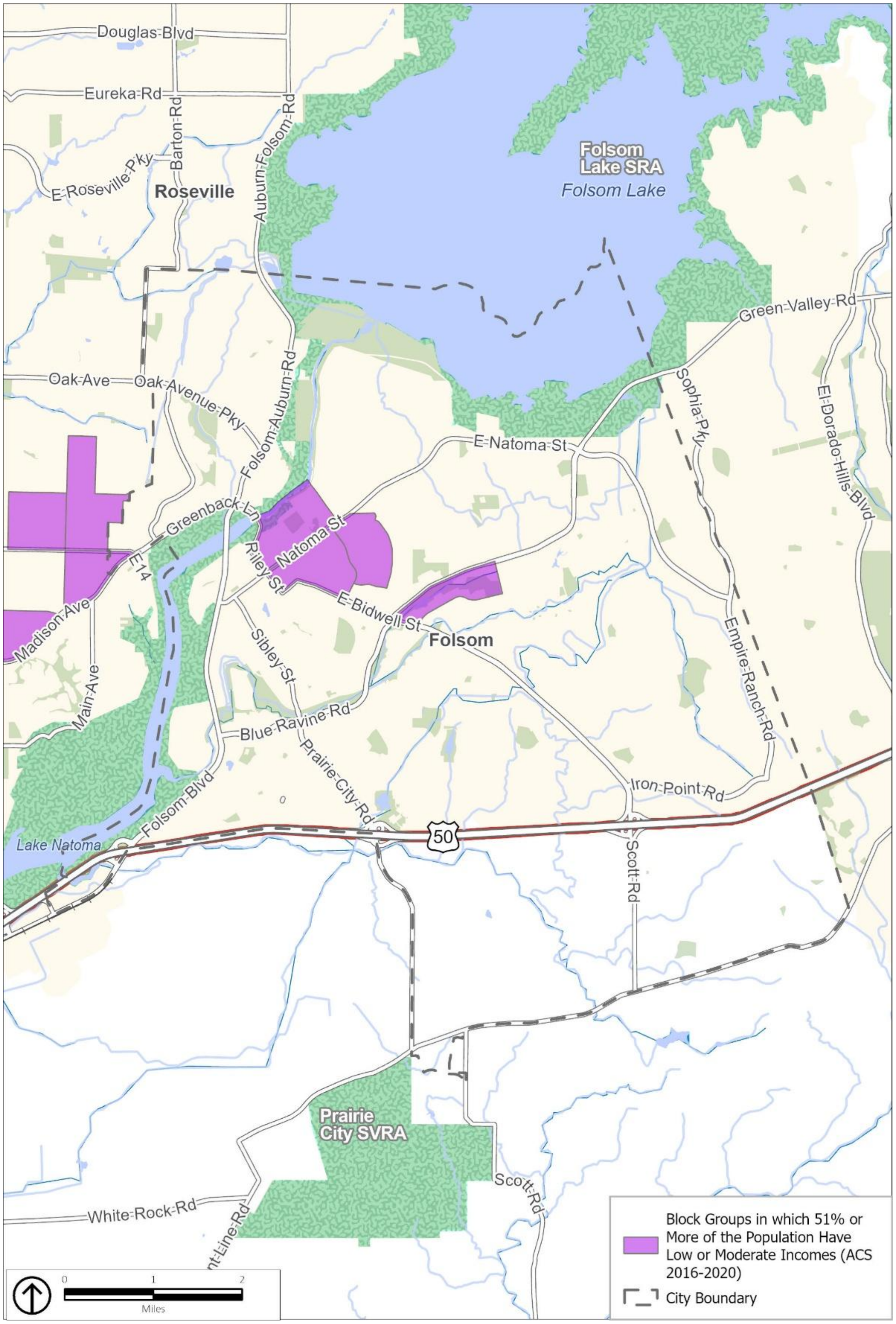
Applicable Program Areas. A significant portion (70 percent) of CDBG funding allocations must be used to benefit low- and moderate-income (LMI) persons. Though this may include programs that are designed to benefit LMI persons directly, activities may also qualify for CDBG funds if the activity will benefit all the residents of a primarily residential area where at least 51 percent of residents are LMI persons. This is called an "area-benefit." Jurisdictions may either use data provided by HUD or conduct a methodologically sound income survey. Based on current HUD data that uses 2016-2020 American Community Survey data, there are four block groups that meet this standard. As shown in Figure 1, three of these block groups are clustered in the Natomas Heights area and neighborhoods to the west of Natomas Heights as far as Riley Street. A fourth block is to the northeast of E. Bidwell Street between Ravine Road and Creekside Drive in the Creekside District.

However, for jurisdictions with few block groups where at least 51 percent of residents are low- and moderate-income, CDBG law authorizes an exception that allows jurisdictions to apply for an exception to this rule. This exception would allow the city to apply an "area-benefit" program to areas where a lower percentage of residents have low or moderate incomes. The City of Rocklin has applied for and received such an exception. As is shown in Figure 2, Rocklin has a very small number of qualifying block groups based on the 51 percent limit. In 2024, Rocklin could use an area-benefit area in tracts or block groups where at least 41 percent of residents are within the LMI income group. This figure may have been updated since 2024, but exception grantee data for 2026 was not available on the HUD website.

Timing. Most steps for becoming an entitlement jurisdiction are dependent on HUD receiving notification from the U.S. Census that the City's population has surpassed the 50,000-person threshold. A representative from HUD has suggested that it is estimated that the City will still qualify if it elects to leave the current Urban County agreement. The City would need to decide on entitlement plans prior to the expiration of the Urban County contract in December 2026. If the City elects not to leave the Urban County contract at this time, the next opportunity to leave the agreement will be in three years. According to HUD's Notice CPD-26-08, the City could negotiate a delayed schedule within the Urban County or include a void clause in the Cooperation Agreement to navigate the potential conflict between the Urban County agreement deadline and the issuance of an entitlement eligibility decision. According to the notice, a void clause in the Cooperation Agreement would state that the Cooperation Agreement would be voided if the City is notified by HUD of its eligibility to become an entitlement jurisdiction and chooses to accept this status. This clause would need to state that if the agreement is not voided, that the City must participate in the Urban County agreement for the entire three-year period. The deadline for providing a response to SHRA's decision letter is Wednesday, July 8, 2026. However, SHRA may request a deadline extension from the HUD field office if needed.

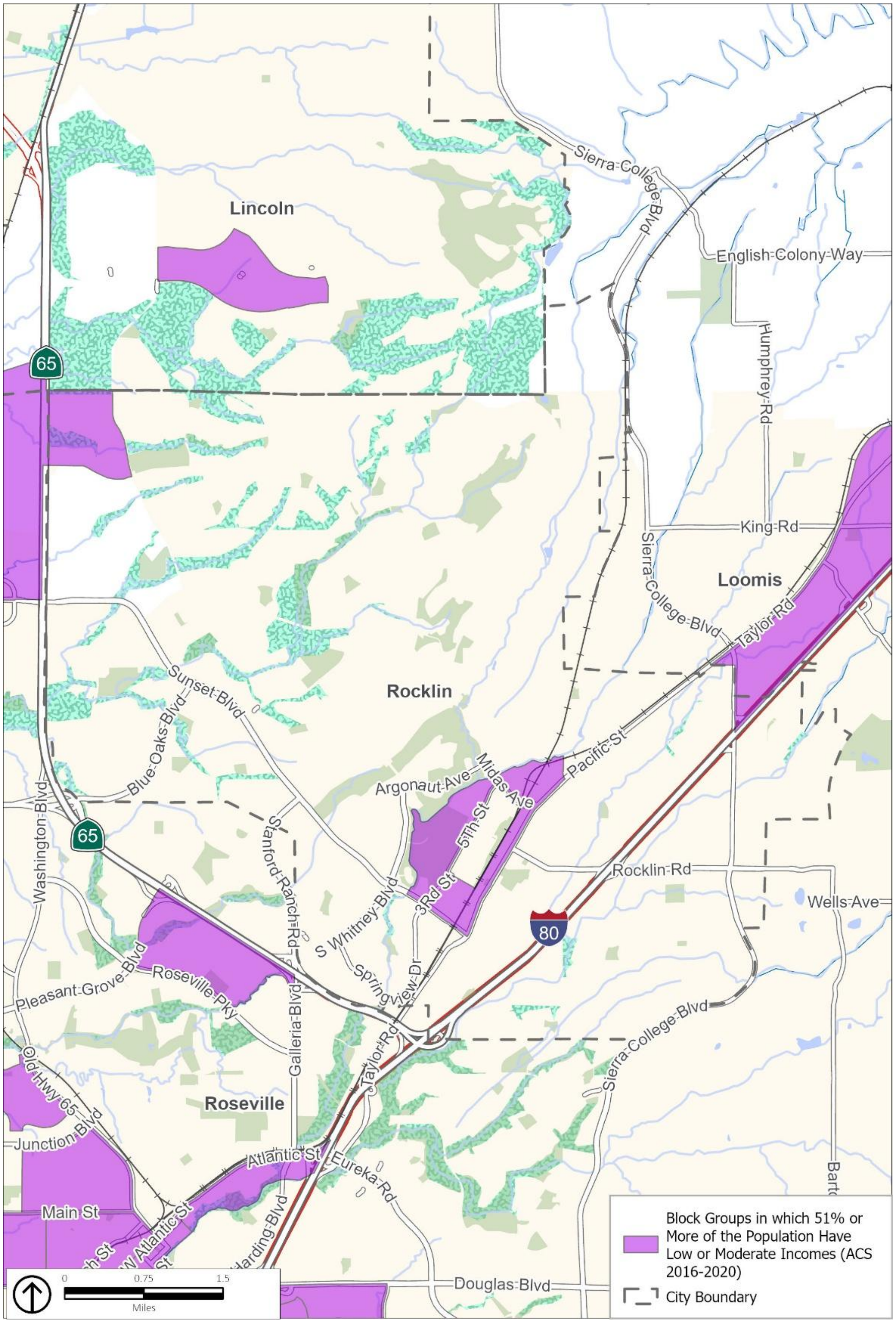
Urban County Agreement. An increase in the City's annual CDBG allocation might be accomplished by renegotiating the City's contract with the Urban County, rather than pursuing entitlement status. This approach may be beneficial in that the City would realize greater benefit without taking on the administrative burden associated with becoming an entitlement jurisdiction. A critical component of that negotiation would likely require that the City show sufficient knowledge and staff capacity to adequately manage additional funds. The liability for CDBG mismanagement lies with the entitlement agency, and urban counties are ultimately responsible for funds managed through their agreements with participating jurisdictions. Most urban counties are careful to make sure participating jurisdictions are aware of the potential liabilities and can manage CDBG-funded programs in compliance with HUD's requirements.

Figure 1: Block Groups in Folsom with Majority Low- and Moderate-Income Population



Source: U.S. Department of Housing and Urban Development, 2024

Figure 2: Block Groups in Rocklin with Majority Low- and Moderate-Income Population



Source: U.S. Department of Housing and Urban Development, 2024

Separation from the Urban County. Should the City decide to seek entitlement, the HUD field office will guide the City's separation from the Urban County. There is no standard process for this. Each year, HUD publishes "Instructions for Urban County Qualification." The instructions include expiration dates for all urban county agreements for the next two years, notification and qualification deadlines, and notification requirements.

SAMPLE CASES

PlaceWorks conducted a brief interview with a representative from the City of Lincoln, which recently became an entitlement jurisdiction, and conducted research on the CDBG programs of both Lincoln and Rocklin. Rocklin has been an entitlement city for many years and received its first allocation in 2008.

City of Lincoln (2024 population: 52,956). The City was notified of its eligibility and decided to move forward with the process of becoming an entitlement jurisdiction but was unable to begin the process of completing the required documentation until the second year due to staff capacity limitations. The City had previous CDBG funds from a direct application to the State. The representative noted that the work required to complete the necessary documentation is substantial compared to the amount of money the City receives. Lincoln's 2026 allocation is $272,325. The City is currently using an outside consultant to complete its initial documentation. The City plans to administer the program in-house and administration and reporting is expected to cost more than the limit of 20 percent of the annual allocation ($54,465) that the City may use on administrative costs. The City is not currently seeking other lines of federal funding.

According to the draft 2026-2030 Consolidated Plan, in its first year, the City intends to spend 20 percent of this amount on administrative costs and the remaining funds on an accessible playground project at McBean Park (see Table 4). As shown in Figure 3, like Folsom, Lincoln has a small number of block groups where at least 51 percent of residents have low or moderate incomes. The proposed playground project is not in one of the area-eligible block groups. However, because the accessibility improvements will serve children with disabilities, the proposed project is pursuing eligibility through a limited clientele benefit rather than an area benefit, meaning that the project's specific, limited clientele are presumed to be low or moderate income. In future years, the City also intends to use some portion of its funds for public services. According to the representative, the City intends to identify other infrastructure projects, such as sidewalk repairs, and will set up a system for organizations to apply for public services funds. As of May 2026, the Consolidated Plan is still in the public comment period. The City representative noted a potential challenge in using CDBG funds for housing assistance programs, as many community members who are eligible for CDBG-funded programs cannot afford a home even when the purchase is supported by a CDBG-funded program.

Table 4: City of Lincoln Planned Uses of CDBG Funds

ACTIVITY	PROJECTED PROGRAM SPENDING, PROGRAM YEAR 2026	PERCENTAGE OF TOTAL ALLOCATION
Planning and Administration	$54,465	20%
Public Infrastructure Improvement: McBean Park Accessible Improvements	$217,860	80%
Total	**$ 272,325**	**100%**

Source: City of Lincoln, 2026-2030 Consolidated Plan.

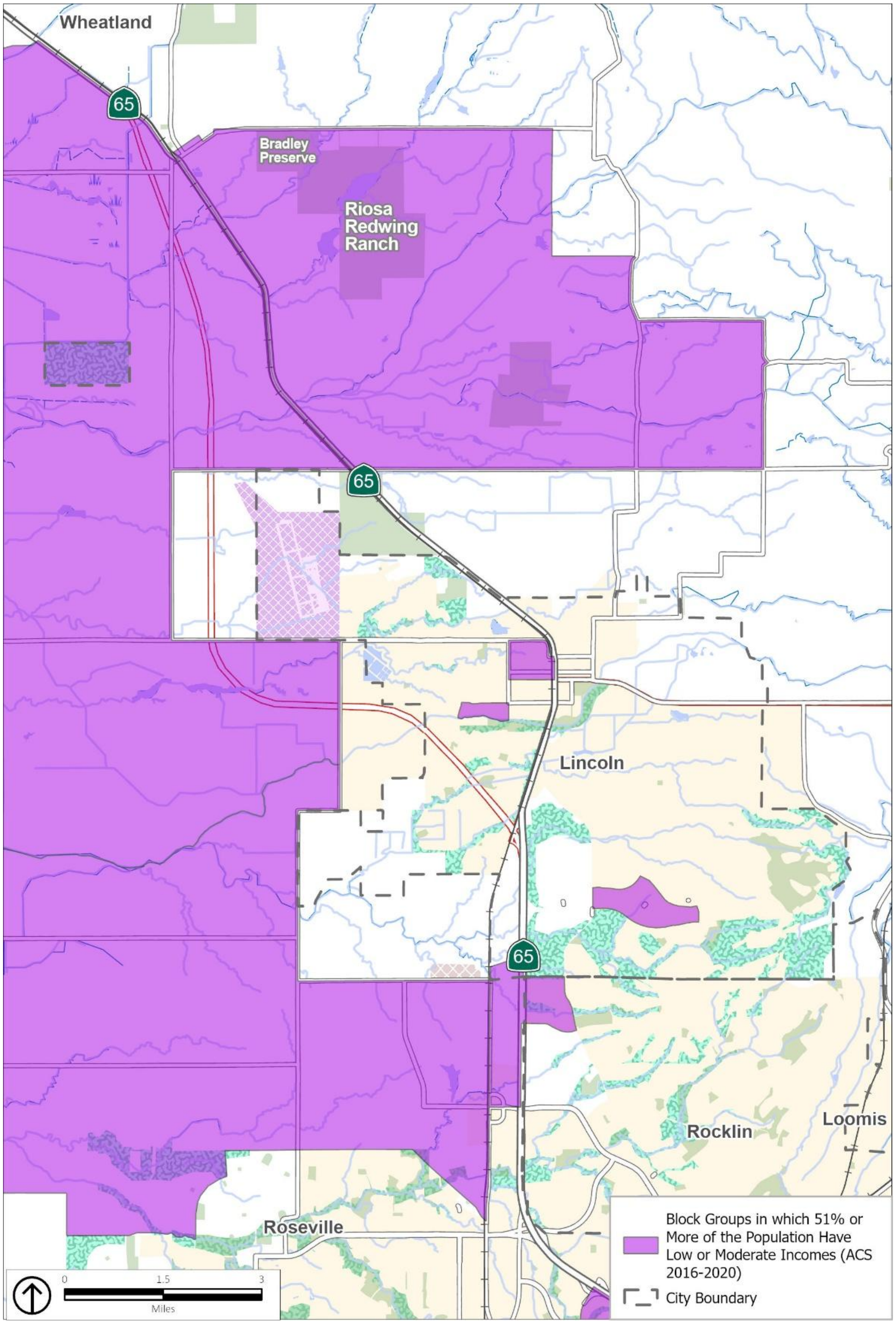
City of Rocklin (2024 Population: 73,327). In 2026, Rocklin's allocation was $307,853. According to Rocklin's 2026-2027 Annual Plan, in addition to using 20 percent of its funds for program administration, the City intends to use 15 percent of its funds for public service projects and the remaining 65 percent for public infrastructure improvements (see Table 5). Public service funds in Rocklin are used to fund a nutrition program for home-bound seniors, to provide mental health services to low- and moderate-income families with children and youth, and to provide therapy services for victims of domestic violence and sexual assault. Infrastructure funds have been used to make accessibility and safety improvements along South Whitney Boulevard between Sunset Boulevard and Five Star Boulevard. The infrastructure projects identified will serve persons with disabilities and some projects may be within the extended benefit range permitted by the city's exception to the LMI area benefit rule.

Table 5: City of Rocklin Planned Uses of CDBG Funds

ACTIVITY	PROJECTED PROGRAM SPENDING, PROGRAM YEAR 2026	PERCENTAGE OF TOTAL ALLOCATION
Planning and Administration	$61,570	20%
Public Services: Food And Meal Delivery Services for Low-Income, Homebound Elderly, and Disabled Adults	$15,393	5%
Public Services: Services for Low- or Moderate-Income Youth	$15,393	5%
Public Services: Assistance for Victims of Domestic Violence or Sexual Assault	$15,393	5%
Public Infrastructure Improvement: Sidewalk Repairs and Accessibility Improvements	$200,104	65%
2026 Total	**$307,853**	**100%**

Source: City of Rocklin, 2026-2027 Draft Annual Action Plan, adjusted to final 2026 allocation amount.

Figure 3: Block Groups in Lincoln with Majority Low- and Moderate-Income Population



Source: U.S. Department of Housing and Urban Development, 2024

CDBG PROGRAM ADMINISTRATION

Planning and Reporting Requirements. Entitlement jurisdictions are required to prepare a series of plans and reports to inform HUD of the intent, implementation, and results of the local grant program. The City may fund these planning and reporting activities with 20 percent of the annual allocation that may be used for administration.

Consolidated Plan. The City will need to prepare a three- to five-year Consolidated Plan as a condition of eligibility to become an entitlement jurisdiction, and then it must review and update the plan every three to five years for as long as the City continues to receive CDBG funds as an entitlement jurisdiction. The Consolidated Plan must describe the City's community development priorities and goals based on an assessment of housing and community development needs, an analysis of housing and economic conditions, and existing available resources.

Citizen participation is a critical component of the Consolidated Plan. The City must develop a Citizen Participation Plan as part of the planning process that outlines how it will engage the community in the process of developing and reviewing the proposed Consolidated Plan and in the ongoing implementation of programs. The Citizen Participation Plan is typically part of the final Consolidated Plan.

Annual Action Plan. The Consolidated Plan is carried out through Annual Action Plans, which must provide a concise summary of the actions, activities, and specific resources that will be used to address the priority needs and goals identified in the Consolidated Plan. This plan will need to be updated every year and submitted to HUD for review.

Consolidated Annual Performance and Evaluation Report (CAPER). Entitlement jurisdictions must prepare and submit a CAPER every year. CAPER identifies accomplishments and progress toward meeting goals stated in the Consolidated Plan.

Analysis of Impediments to Fair Housing Choice. Entitlement jurisdictions must prepare and maintain an Analysis of Impediments to Fair Housing Choice. The Analysis of Impediments is a comprehensive review of the City's regulations, policies, procedures, and practices, and assesses how they affect the location, availability, and accessibility of housing. The analysis must also consider how current conditions, both private and public, affect fair housing choice. The analysis must be maintained and regularly updated in concert with future Consolidated Plans, and jurisdictions must report on actions taken to overcome impediments in the CAPER.

Program Management. In addition to the formal plans listed in the previous section, the City will need to build on its existing procedures and establish a process for selecting activities to fund, completing environmental reviews, and executing agreements with grant recipients. The City must establish a local administrative "infrastructure" to administer CDBG funds, which includes policies and procedures for:

» Regular and consistent reporting (including quarterly and annual performance reports, semiannual labor compliance reports, and quarterly financial reports)
» Fund management and disbursement
» Subgrantee management and monitoring
» Procurement and contracting
» Compliance
» Technical assistance to subgrantees

Conclusion

If the City decides to move forward with the process of leaving the Sacramento Urban County agreement and becoming an entitlement city, the next step will be to meet with representatives from the HUD regional office to discuss the path to entitlement. As part of this process, the City should evaluate the projected availability of staffing, staffing priorities, and budget priorities. The City should consider the role that a CDBG program would play in the allocation of staff time and budget resources, knowing that they may be limited and that the potential allocation amount has not yet been determined.

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