



DATE: November 20, 2024

TO: Community Services Commission

FROM: Community Services Manager

SUBJECT: Consolidated Plan: Fiscal Year 2026-2030 Community Development Block Grant Five-Year Funding Priorities

RECOMMENDATION

That the Community Services Commission receive this report explaining the requirements for Community Development Block Grant (CDBG) expenditures and discuss funding priorities for the fiscal year 2026-2030 five-year Consolidated Plan cycle.

SUMMARY

The Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program provides flexible annual funding to eligible communities for use in affordable housing, infrastructure, economic development, and anti-poverty programs. Programs must meet one of three national objectives: benefits to low- and moderate-income individuals and households; elimination of slum or blight; and response to urgent needs. No less than 70 percent of a community's CDBG expenditures must be for the benefit of low- and moderate-income residents.

CDBG programs must also fall within a range of possible activities within six general categories: acquisition and demolition of real property; administrative expenses; economic development; housing programs; public facilities and infrastructure; or public services. Administrative costs are limited to 20 percent of expenditures and public services programs are limited to 15 percent of expenditures.

Communities receiving CDBG funding must develop and submit a Consolidated Plan every five years. The Consolidated Plan is a statement of multi-year community development goals. The City develops its Consolidated Plan in conjunction with the Alameda County HOME Consortium's county-wide Consolidated Plan Process. Creation of the City's Consolidated Plan begins with stakeholder consultation and input from the Community Services Commission (CSC). As a vital part of the City's Community Participation Plan, the CSC is asked to review the priorities and goals set for the current Consolidated Plan period and provide its recommendations for the next period. Table 1 provides a summary of the priority areas established for the fiscal year 2021 to fiscal year 2025 Consolidated Plan period.

Table 1. Summary of FY 2021 to FY 2025 Consolidated Plan Priority Needs and Goals

Priority Need	Goal	Total Allocated
Expand & Improve Public Infrastructure & Facilities	1A. Facility & Infrastructure Access & Capacity	\$ 2,286,572
Preserve, Protect, & Produce Housing Stock	2A. Preserve Existing Affordable Housing	\$ 2,083,862
	2B. Develop New Affordable Housing	
Provide Public Services & Quality of Life Improvements	3A. Provide Supportive Services for Special Needs	\$ 1,492,838
	3B. Provide Vital Services for LMI Households	
Economic Development	4A. Provide Small Business Assistance	\$ 2,223,276

Staff requests that the CSC hold a work session to provide input on the following:

- Are these priorities and goals still appropriate for the City’s fiscal year 2026 through fiscal year 2030 Consolidated Plan?
- Should the City pursue any new priorities, goals, or types of programs, within the eligibility criteria established by HUD?

BACKGROUND

Community Development Block Grant (CDBG) Funding

The CDBG program, administered by the US Department of Housing and Urban Development (HUD), provides flexible annual grant funding to eligible communities for use in affordable housing, infrastructure, economic development, and anti-poverty programs. Enacted under Title 1 of the Housing and Community Development Act of 1974, the program stands as one of the longest-running sources of federal funds for local-level programs primarily low- and moderate-income residents. To be eligible for CDBG funding, a community must be one of the following: the principal city in a US Census Metropolitan Statistical Area (MSA); a metropolitan city with a population of at least 50,000 residents; or an urban county with a population of at least 200,000 residents, not including residents of any eligible cities within the county. Eligible communities, also known as “entitlement communities,” receive funds every fiscal year based on the Community Development Fund appropriation approved by Congress and a statutory formula utilizing measures of community need, including population, poverty rate, and housing conditions.

Funding awarded through CDBG allows communities to develop their own programs and funding priorities. Programs must meet a “National Objective” and conform to one of a range of eligible activities. National objectives include support to low- and moderate-income (LMI) residents (i.e., individuals or households making 80% of the area median income or less); improvements to deteriorated urban areas; or prevention or alleviation of urgent needs stemming from emergencies. Eligible activities include, among others, affordable housing programs, demolition of abandoned or dilapidated structures, certain economic development activities, improvements to public facilities and infrastructure, and direct services to LMI residents. Eligible activities are explained in further detail in the Discussion below.

Past Use of CDBG Funding

Since fiscal year 2001, the City has received and allocated \$46.5 million in CDBG entitlement funding across all eligible program categories. Historically, the City has prioritized using CDBG for housing; public facilities and infrastructure improvements; and public services. Housing

activities have primarily focused on repair and rehabilitation of single- family housing for LMI residents, with \$11.8M expended since fiscal year 2001 and \$1.2M expended so far for the current fiscal year 2021 to 2025 Consolidated Plan period. The City has expended \$10.4M on public facilities and infrastructure improvements since 2001, with \$1.8M expended on these activities during the current period. The City has allocated \$6.7M to public services since 2001, and \$1.1M so far this period, however the City's ability to allocate funds to public services is constrained by HUD regulations. A summary of CDBG entitlement expenditures over the last five Consolidated Plan periods is shown in Table 2. Note that actual expenditures for fiscal year 2025 are not yet available. The most recent Consolidated Plan is included in this report as Attachment II.

Table 2. CDBG Expenditures by Consolidated Plan Period (in Thousands)¹

Activity Category	Actual FY01-05	Actual FY06-10	Actual FY11-15	Actual FY16-20	Actual FY21-25	Total Per Category
Acquisition and Demolition	\$ 405	\$ 296	\$ 133	\$ 1,239	\$ -	\$ 2,074
Administration	\$ 2,107	\$ 1,728	\$ 1,708	\$ 1,614	\$ 1,623	\$ 8,780
Economic Development	\$ 1,585	\$ 880	\$ 998	\$ 1,531	\$ 1,767	\$ 6,762
Housing Programs	\$ 4,344	\$ 3,419	\$ 1,477	\$ 1,341	\$ 1,209	\$ 11,789
Facilities and Infrastructure	\$ 2,230	\$ 636	\$ 3,418	\$ 2,395	\$ 1,724	\$ 10,404
Public Services	\$ 1,909	\$ 1,520	\$ 1,261	\$ 952	\$ 1,083	\$ 6,725
Total Per Period	\$ 12,580	\$ 8,480	\$ 8,994	\$ 9,072	\$,406	\$ 46,553

CDBG Consolidated Plan

A Consolidated Plan is a document the City is required to prepare and submit to HUD every five years. The document is a statement of the City's multi-year housing and community development priorities and goals. The Consolidated Plan discusses five major topics:

1. Citizen Participation: A description of the Plan's development process, including outreach to stakeholders and community participation
2. Needs Assessment: An assessment of the City's housing and non-housing community development needs
3. Housing Market Analysis: An analysis of the City's demographics, economy, and housing market
4. 5-Year Strategic Plan: A strategic plan describing the City's anticipated resources, goals, and approach to addressing community needs
5. Annual Action Plan: A plan for the first year of the Consolidated Plan period describing the specific proposed uses for the City's CDBG allocation

Council approved the current FY 2021-2025 Consolidated Plan on June 23, 2020.² The City is currently preparing its Consolidated Plan for the fiscal year 2026 through 2030 period. Preparation of the Consolidated Plan typically begins in late summer and early fall, with planning of the overall schedule, consultation of community stakeholder agencies, and input

¹ Totals do not include approximately \$2.1M in supplementary pandemic response CDBG funding awarded in fiscal year 2021 through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

² June 23, 2020 Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=4576644&GUID=7D9A237D-8934-4D4A-94FA-CFF24B9589CA&Options=&Search=>

from members of the community. Feedback from stakeholder agencies and community members is used to develop the strategies and goals that form the core of the Consolidated Plan. A draft of the plan will be published for public comment and presented to Council in a work session for review and comment in the early spring in conjunction with the Community Services Commission's recommendations for Community Agency Funding. A revised Consolidated Plan incorporating public comments and Council feedback is then taken to a public hearing for Council authorization. Upon Council approval, it is submitted to HUD.

As described in the City's Community Participation Plan, the Community Services Commission (CSC) plays an important role in preparing the Consolidated Plan. The CSC is the City's primary conduit for resident participation in all phases of the City's CDBG programs. The CSC assists staff and stakeholders in identifying housing and community development needs, setting priorities, and developing the strategies and goals that make up the Consolidated Plan. The CSC also helps the City and Council implement the Consolidated Plan by evaluating program proposals and providing recommendations during each year's Community Agency Funding process.

DISCUSSION

Eligible Uses for CDBG Funding

National Objectives

CDBG funds are distributed to entitlement communities with the purpose of providing safe, affordable housing; building and maintaining effective, accessible public facilities and infrastructure; and expanding economic opportunities. To ensure the funds work towards HUD's stated goals, CDBG activities must meet one of three national objectives.

The most common national objective is providing benefits to low- and moderate-income (LMI) residents and households. Benefits to LMI residents may be based on area, such as infrastructure projects in majority LMI census tracts; or clientele, where programs require income verification to participate or that provide services generally only used by LMI residents. The LMI benefit national objective may also be met by affordable housing intended primarily for LMI households; or creation and retention of jobs for LMI workers.

CDBG funding may also be used to help acquire, improve or demolish physically deteriorated structures and clear properties under the "slum and blight" national objective. These activities may apply based on location, if an area has been designated as blighted, or on a "spot basis" if an individual property outside of a blighted area is a health and safety risk. In rare cases, projects related to the completion of an existing Urban Renewal Plan may also fall under this national objective. In limited circumstances, CDBG funding may be used to address "urgent needs", or community development issues that pose a serious and immediate threat to health and safety. This national objective is most associated with emergencies or natural disasters. Under this national objective, use of CDBG is only allowed as funding of last resort when no other funding sources are available.

Eligible Activities

In addition to meeting a national objective, projects or programs supported by CDBG funding must also conform to one of several categories of eligible activities. These activities can be placed in six general categories: public facilities and public improvements; public services; housing related activities; economic development; real property acquisition, clearance and disposition; and planning and administrative activities. A summary of the program categories typically carried out by the City is shown in Table 3 and discussed in detail below.

Table 3. Hayward CDBG Activity Categories

Project	Description	Sample Activities
Public Facilities and Infrastructure	Improve and expand access to public infrastructure through development activities. Public facilities may include neighborhood facilities, non-profit agencies' facilities, community centers, and parks and recreation facilities.	<ul style="list-style-type: none">• Repairs for non-profit facilities and shelters• Development to improve ADA compliance for public facilities• Acquisition of real property to improve capacity of public facilities
Public Services	Provide supportive services for low-income and special needs populations, including services to address homelessness.	<ul style="list-style-type: none">• Homelessness outreach services• Youth and adult education programming• Employment training programs• Legal services
Housing Programs	Provide rehabilitation resources for low-income homeowners to reduce risk of displacement and homelessness.	<ul style="list-style-type: none">• Minor and substantial home repair grants• Acquisition or rehabilitation of real property to increase affordable housing opportunities
Economic Development	Provide economic development support to small businesses	<ul style="list-style-type: none">• Technical assistance to small businesses• Grants or loans to small businesses
Administration	Citywide administration of the CDBG program	<ul style="list-style-type: none">• Staffing costs for administering the grant• Planning projects for future programs or development projects• Fair housing activities

Public Facilities and Public Improvements: Public facilities and public improvements activities are those related to the acquisition, construction, reconstruction, rehabilitation, or installation of improvements or facilities that are owned by the local government or a nonprofit and are intended for use by or benefit of the public. Public facilities include buildings such as community centers, firehouses, schools, and libraries. Public improvements include construction or improvements to streets and sidewalks; water and sewer lines; flood and drainage improvements; and public and green spaces. This category of activities also includes construction of or improvements to temporary shelters for populations with special needs such as nursing homes, hospitals, homeless shelters, group homes, or disaster shelters. During the most recent Consolidated Plan period, the City prioritized this latter type of activity, with CDBG funding allocated to improvements at the FESCO Les Marquis House family transitional shelter and South Hayward Parish emergency shelter.

Public Services: Public Services activities deliver vital social services or direct assistance to members of the community, particularly LMI households and members of vulnerable populations. Public services supported by CDBG may include services for homeless residents; tenant/landlord counseling or intervention; legal services for LMI residents; substance use treatment; or food banks. However, CDBG funding is not primarily intended to support social services programs, and its use for these programs is subject to statutory limits. During the fiscal year 2020 to fiscal year 2024 Consolidated Plan period, the City's CDBG entitlement supported activities such as tenants' rights counseling through Centro Legal de la Raza; food distribution for seniors through Spectrum Community Services; and shelter programs for domestic violence survivors, victims of human trafficking, and transition-aged youth through Ruby's Place.

Housing Activities: Housing related activities are intended to foster and support affordable housing opportunities for LMI residents. These activities may include home rehabilitation for LMI homeowners; direct assistance for LMI home buyers; acquisition or rehabilitation of multi-family rental housing; and conversion of unused commercial or public buildings to residential use. Direct funding for new housing construction is not an eligible use of CDBG funds under most circumstances. Historically, the City's primary affordable housing-related CDBG activities have been home repairs and health and safety improvements for LMI owners, particularly seniors, through Habitat for Humanity and Rebuilding Together. Real property acquisition, clearance, and disposition activities are those related to real property management. Activities may include purchase, sale, or lease of buildings and properties; demolition or moving of buildings; and removal of debris or soil rehabilitation. The City did not carry out any activities in this category between fiscal year 2020 and fiscal year 2024, but has previously supported local affordable housing projects through acquisition assistance.

Economic Development: Economic development activities are intended to create economic opportunities and jobs, particularly for a community's LMI residents. Economic development activities may include acquisition, construction, or rehabilitation of commercial or industrial properties; technical assistance and training for business owners; incubating new small businesses or "microenterprises;" public works projects specifically supporting commercial development; or job training for existing employees and jobseekers. Over the last five fiscal years, the City's CDBG funding has provided technical assistance and training for childcare microenterprises through Community Child Care Council of Alameda County; start-up training and support for entrepreneurs through Centro Community Partners; and direct grants to small businesses for upgrades and beautification of storefronts through the City's Economic Development Division.

Planning and Administration: Finally, CDBG funds may be used for reasonable program administration expenses, such as staff costs related to program management, coordination, monitoring, evaluation, reporting, and community participation. Costs for fair housing investigation and enforcement activities carried out by the entitlement community or a contracted nonprofit are also considered to be administrative.

CDBG Funding Limits: CDBG activities are subject to HUD-mandated limits on how funding may be allocated. These limits are intended to direct most CDBG funding toward community development benefitting LMI community members. Communities are required to expend at least 70 percent of their entitlement on activities that meet the "Benefit to Low- and Moderate-Income Persons or Households" national objective. This 70 percent requirement excludes the

cost of administrative activities. CDBG’s primary purpose is community development activities, so HUD places a limit on allocation to public services activities. For any given grant year, public services activity funding may not exceed 15 percent of the sum of the annual entitlement and the prior year’s actual project income. Finally, administrative costs may not exceed 20 percent of the sum of the annual entitlement and the current year’s estimated project income. A summary of these limits and how they are calculated are shown in Table 4.

Table 4. Statutory Expenditure Requirements for CDBG Funds

Eligibility Type	Category	Requirement	Formula
National Objective	Benefit to LMI	70% or More	(Actual Expenditures - Actual Administrative Costs) X 0.7
Activity Category	Public Services	15% or Less	(Entitlement + Prior Year Actual Program Income) X 0.15
Activity Category	Administrative Costs	20% or Less	(Entitlement + Current Year Estimated Program Income) X 0.2

FY 2021-2025 Consolidated Plan Priority Needs and Goals

The fiscal year 2021 to fiscal year 2025 Consolidated Plan laid out four priority needs for the use of the City’s CDBG entitlement and a total of six goals within those priority needs. Specific, quantifiable outcome indicators and an estimated funding plan were also provided for each goal. The four priority needs identified were, “Expand and Improve Public Infrastructure and Facilities”; “Preserve, Protect, and Produce Housing Stock”; “Public Services and Quality of Life Improvements”; and “Economic Development.” Based on prior entitlement awards, staff allocated an estimated total of \$8.1M, or approximately \$1.6M per year, across these priorities over the Consolidated Plan period. Table 5 provides a summary of the priority needs and their respective goals established in the fiscal year 2021 to fiscal year 2025 Consolidated Plan.

Table 5. CDBG Priority Needs and Goals for FY 2021 to FY 2025

Priority Need	Goal	
Expand & Improve Public Infrastructure & Facilities	1A. Facility & Infrastructure Access & Capacity	
Preserve, Protect, & Produce Housing Stock	2A. Preserve Existing Affordable Housing	
	2B. Develop New Affordable Housing	
Provide Public Services & Quality of Life Improvements	3A. Provide Supportive Services for Special Needs	
	3B. Provide Vital Services for LMI Households	
Economic Development	4A. Provide Small Business Assistance	
	4A. Provide Small Business Assistance	

“Expand and Improve Public Infrastructure and Facilities” was determined to be the City’s most pressing priority need, based on feedback from the community. The consultation process found a pressing need for facilities and infrastructure improvements specifically benefitting LMI residents and special populations, specifically the City’s homeless, elderly, and disabled populations. This priority need included one goal, “1A. Facility and Infrastructure Access and Capacity.”

“Preserve, Protect, and Produce Housing Stock” was identified as the City’s second-greatest need, particularly a need for affordable housing. Based on American Community Survey data, the Consolidated Plan process revealed that 42.3 percent of the Hayward population was housing cost burdened, with housing cost burden affecting as much as 55.2 percent of residents in certain areas. The Consolidated Plan addressed this need through two goals, “2A. Preserve Existing Homeownership Housing”, and “2B. Develop New Affordable Housing.”

“Public Services and Quality of Life Improvements” prioritized vital services for LMI households. As a diverse, moderate-income community, the City has a significant need for services to support its residents, but the relative priority of CDBG allocations is limited by HUD’s cap on public services expenditures. Two goals were established for this priority need: “3A. Provide Supportive Services for Special Needs” and “3B. Provide Vital Services for LMI Households.”

“Provide for Small Business Assistance” was the final priority need laid out in the Consolidated Plan. The City is home to a wide range of businesses, from manufacturing and logistics to healthcare and information technology. These include a significant number of small and microenterprise businesses offering opportunities to LMI entrepreneurs and workers. This priority was identified to address these businesses’ need for technical and financial assistance, as well as opportunities for workforce development. Both are encompassed under goal “4A. Provide for Small Business Assistance.”

For each priority need, the City is required to estimate its performance goal and the amount of entitlement funds that will be expended. Table 6 summarizes the amounts allocated and expended on each goal, as well as their projected and actual outcome indicators. Actuals are through June 30, 2024.

Table 6. FY 2021 to FY 2025 Consolidated Plan Goal Funding and Outcomes

Goal	Indicator	Expected	Actual to Date	Allocated	Actual to Date
1A	Residents Served by Improvements	100,000	61,556	\$ 2,286,572	\$ 1,724,216
2A	Homes Rehabilitated	225	199	\$ 2,083,862	\$ 1,208,572
2B	Rental Homes Built	200	-		
3A	Individuals Served	2,750	1,769	\$ 1,492,838	\$ 1,083,385
3B	Individuals Served	2,750	14,446		
4A	Jobs Created	25	76	\$ 2,223,276	\$ 1,767,332
4A	Businesses Assisted	140	191		

FY 2026-2030 Consolidated Plan Recommendations

Community Needs and Community Partner Project Requests

Staff recommends that the fiscal year 2026 to fiscal year 2030 Consolidated plan reiterate the City’s existing priorities and continue to fund activities based on the goals outlined in the fiscal year 2021 to fiscal year 2025 Consolidated Plan. Analysis of programs carried out throughout the current Consolidated Plan period and examination of the projects proposed by community partner agencies indicate that community needs have remained consistent over the past four

years. While economic conditions have improved significantly since the COVID-19 pandemic, challenges such as homelessness, high housing prices, food insecurity, and the need for childcare have remained. For reference, a summary of the total amounts requested by community partners per priority need area is presented in Table 7.

Table 7. Community Partner Funding Requests for FY 2021 to FY 2025

Priority Need	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
Public Facilities	\$165,000	\$2,337,400	\$5,150,319	\$1,187,319	\$529,975	\$9,370,013
Housing Programs	\$330,000	\$325,000	\$374,500	\$325,000	\$325,000	\$1,679,500
Public Services	\$375,551	\$668,820	\$559,645	\$376,436	\$554,167	\$2,534,619
Economic Development	\$480,784	\$540,265	\$590,597	\$635,637	\$523,988	\$2,771,271

There is significant demand each year for public services funding; however, awards for public services are limited by HUD's expenditure cap, so the City must address the need for services through a combination of CDBG and General Fund awards.

Request for Community Services Commission Feedback and Discussion

Based on the CSC's role as the primary community participation body for CDBG funding planning and allocation described in the City's Community Participation Plan, staff requests that the CSC provide input and recommendations as the City begins its Consolidated Plan process. The CSC is asked to consider the following questions:

- Are the Priority Needs and Goals laid out for the fiscal year 2021 to fiscal year 2025 Consolidated Plan still appropriate?
- Does the CSC anticipate that those Priority Needs and Goals could change in the next five years?
- Are there potential CDBG-eligible community needs that are not captured under the current Priority Needs and Goals?
- What types of eligible activities and community partners should the City seek out in order to meet community needs?
- If awards are limited by funding amounts or expenditure caps, as in the case of public services, what kinds of activities and partners should be prioritized for funding?

The recommendations and feedback provided by the CSC, along with public comments and feedback requested from the City's community partners, will be used to develop the Strategic Planning, Priority Needs, Goals, and Performance Indicators elements of the fiscal year 2026 to fiscal year 2030 Consolidated Plan.

ECONOMIC IMPACT

Programs funded through the City's CDBG entitlement have a collective positive economic impact on the community, as they will increase food security; provide vital support services to help individuals and families maintain and obtain housing, such as legal aid, fair housing services, shelter, and home rehabilitation; and infuse capital and provide training for local small business.

In total, programs funded by CDBG funding add between \$1.3M and \$1.5M to the City's economy every year, primarily for the benefit of its LMI residents and the organizations that serve them. However, this funding on its own is insufficient to meet all community needs, particularly around direct social services. The City takes steps to close this gap through the General Fund awards made as part of the annual Community Agency Funding process. These awards vary from year to year, providing an additional approximately \$540,000 to \$690,000 annually to address community needs that cannot be funded through the City's CDBG entitlement.

STRATEGIC ROADMAP

These funding allocation recommendations support several of the City's Strategic Roadmap priority areas, including Preserve, Protect, & Produce Housing; Grow the Economy; Improve Infrastructure; and Support Quality of Life.

FISCAL IMPACT

The CDBG Program has a neutral impact on the City's General Fund, as a portion of CDBG funds (up to 20%) may be used to pay for eligible Planning and Administration of the Program. Potential reductions to the City's CDBG grant size and unpredictable program income will result in equivalent reductions to available funds and to the administrative cap. The CDBG program remains an administratively complex undertaking requiring enhanced dedication of resources from recipients and subrecipients to meet federal reporting standards.

PUBLIC CONTACT

The Public Comment period for the FY 2026-2030 Consolidated Plan will take place from March 10, 2025, through April 8, 2025. Public comment on the Consolidated Plan will be heard at the Public Hearing on April 1, 2025. Additionally, prior to this Work Session item, the public will have the opportunity to provide public comments on Consolidated Plan priorities at the CSC meeting on November 20, 2024, and on funding recommendations at CSC meetings on February 19 and March 19, 2025.

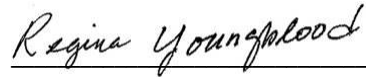
NEXT STEPS

The CSC will hold a public hearing on February 19, 2025, to discuss funding recommendations for CDBG and the General Fund. Staff will publish a draft of the FY 2026-2030 Consolidated Plan for public comment on March 10, 2025. Council will provide its recommendations at a work session on April 1, 2025, and the Consolidated Plan will be presented at a Public Hearing for comment and Council approval on April 22, 2025. The City's public comment period will conclude on April 8, 2025. Staff will submit the report to HUD no later than Thursday, May 15, 2025.

Prepared by: Rick Rivera, Management Analyst

Recommended by: Amy Cole-Bloom, Community Services Manager

Approved by:



Regina Youngblood, Assistant City Manager