



DATE: April 11, 2023

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT Community Agency Funding: Fiscal Year 2024 Community Agency Funding Recommendations for Services, Arts & Music, Special Events, and Economic Development and Infrastructure and Overview of the FY 2024 Annual Action Plan

RECOMMENDATION

That the Council:

1. Conducts a work session regarding the FY 2024 Community Agency Funding recommendations prepared by the Community Services Commission;
2. Reviews and comments on the draft funding recommendations; and
3. Reviews and comments on the overview of the FY 2024 Annual Action Plan

SUMMARY

This report provides an overview of the FY 2024 Community Agency Funding process, the Community Services Commission (CSC) Application Review Committees’ (ARCs) proposed funding recommendations for consideration by the CSC, and next steps in the funding process. Funding is allocated from two sources: Hayward’s Community Development Block Grant (CDBG) annual entitlement and the City’s General Fund.

The amount of funding requested for FY 2024 continues to increase compared to previous years. The continual increase in requested funds resulted in a highly competitive funding allocation process for the FY 2024 cycle. Consequently, the ARCs were faced with challenging decisions about how to appropriately allocate funds with consideration for the CSC and City’s goals to provide resources and services for those in the community who need it the most. The proposed funding is summarized by category in Table 1 on the following page and in detail in Attachment II. CDBG funds are based on the FY 2024 actual entitlement award, received in March.

This report summarizes the funding recommendations for the City’s annual entitlement of CDBG funds (\$1,527,801) for economic development, infrastructure, and public services,¹ and \$686,950 in General Funds for social services, arts and music programs, and

¹ 20% of the annual entitlement is set aside for administration (e.g., staff salaries, fair housing programming) and planning activities (e.g., homelessness point in time count, homelessness reduction strategic plan).

special events. The report concludes with a high-level overview of the Department of Housing and Urban Development’s (HUD) required FY 2024 Annual Action Plan, which specifies the City’s priority needs and goals for using CDBG entitlement funds in FY 2024.

Table 1. Summary of Recommended Funding Allocation by Category

Funding Source	Category	Recipient	Amount
General Fund	Arts & Music	Community Agencies	\$105,301
General Fund	Special Events	Community Agencies	\$66,708
General Fund	Social Services	Community Agencies	\$454,950
CDBG	Public Services	Community Agencies	\$267,416
CDBG	Economic Development/Infrastructure	Community Agencies	\$653,120
Total ARC Recommended Grants			\$1,547,492
CDBG	HUD-Required Fair Housing Services	Community Agency	\$25,000
CDBG	Home Rehabilitation & Infrastructure Project Management	Community Agency	\$325,000
Total Non-Competitive Grants			\$350,000
GRAND TOTAL FY 2024 RECOMMENDED FUNDING (ALL SOURCES)			\$1,897,492

BACKGROUND

The CSC serves as an advisory body to the Hayward City Council. The CSC makes recommendations to Council regarding the distribution of Infrastructure and Economic Development (CDBG), Public/Social Services (CDBG/General Fund), and Arts and Music (General Fund) program funding through the annual Community Agency Funding (CAF) process. For FY 2024, the CSC is also making recommendations to Council regarding the distribution of Special Event funds for eligible community events that encourage inclusion and celebrate diversity in the Hayward community.

The FY 2024 Community Agency Funding Process

The CAF process opened with the publication of a Notice of Funding Availability (NOFA) on September 30, 2022. The announcement was published in English and Spanish in the Daily Review; posted to the City’s website; and emailed to currently funded agencies, previously funded agencies, applicants from previous years and all other interested parties on the CSC mailing list. Furthermore, a Stack article featuring the NOFA and highlighting the introduction of the new requirements for requesting and awarding Cultural and Special Event funding was published in advance of the Mandatory Bidder’s Conference. Hayward City Council and Commissioners were also encouraged to share the NOFA with their networks. Several broadcast email reminders were also sent in advance of the Mandatory Bidder’s Conference held on November 1, 2022.

The CSC reviews all eligible applications, and the CSC Chairperson appoints three ARCs by funding category to conduct applicant interviews prior to drafting funding recommendations for Council review and approval. The three funding categories are:

- 1. Infrastructure and Economic Development (CDBG):** Affordable housing (not including new construction); housing rehabilitation; nonprofit facility improvements; job creation; and capacity building. Funds must meet one of three

national objectives: benefit low-moderate income Hayward residents; prevent or eliminate slum blight; or meet an urgent need (i.e., disaster).

2. **Arts & Music/Special Events (General Fund):** Arts and music programs that benefit Hayward residents, with an emphasis on activities that support youth education. Free cultural and special events that meet the goals of the [Commitment for an Inclusive, Equitable, and Compassionate Community \(CIECC\)](#) policy, including but not limited to parades, gatherings, arts and crafts shows, fairs, festivals, athletic events, car shows, and musical and other live performances.
3. **Public/Social Services (CDBG/General Fund):** Benefit low-moderate income Hayward residents through programs to provide food security, health services, homelessness and anti-displacement services; legal services; youth and education services.

On February 15, 2023², the CSC met and reviewed the preliminary draft recommendations made by each ARC. ARC Chairs summarized the discussion and rationale behind ARC decision-making. Additionally, the CSC heard public comment and initiated a 30-day public comment period for community members to submit feedback on the recommendations to the City and CSC. In-person quorum was not reached at the March CSC meeting. Staff presented the funding recommendations, received public comment, closed the public comment period for the draft recommendations, and received individual Commissioner feedback. Formal action was deferred to a future special meeting. On April 3, 2023 the CSC held a special meeting to act on the CAF funding recommendations and unanimously voted to recommend the recommendations as outlined in Attachment II.

DISCUSSION

FY 2024 Community Agency Funding Process

Each year, the City receives applications from community agencies requesting funding through the competitive CAF process. The CSC is responsible for reviewing the applications, interviewing applicants, and making recommendations to the Council for how a portion of the City's General Fund and the City's CDBG entitlement award should be allocated. As part of the Community Agency Funding process, the CSC Chair appoints three ARCs to conduct applicant interviews and make preliminary recommendations for full CSC consideration.

Available Funding and Funding Requests

The majority of applications are reviewed through a competitive process to allocate \$686,950 from the General Fund and approximately \$1,300,000 from the City's estimated CDBG entitlement, after the costs of administration and planning are set aside.³ Staff used past allocations to estimate the FY 2024 CDBG entitlement award and the City's General Fund contribution.

² February 15, 2022, Community Services Commission Staff Report and Attachment <https://hayward.legistar.com/LegislationDetail.aspx?ID=6021793&GUID=5EFD5D90-DD28-444C-8E84-3300746EA3BA&Options=&Search=>

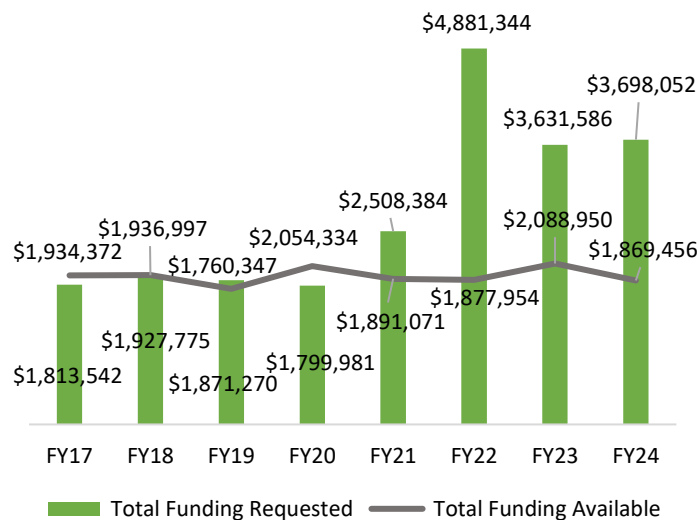
³ Staff estimate this allocation based on previous years' entitlement awards. The actual award is expected to be announced by the end of March.

By the December 2, 2022, deadline, the City received 58 applications for FY 2024 funding, with 18 new proposed programs/events and 13 new applicants. Given the new funding caps and emphasis on diversifying funding sources, two Special Event applicants determined that their eligible funding amounts were insufficient to host their events, and voluntarily withdrew their applications.

The ARCs reviewed applications in December 2022 and conducted interviews over two Saturdays in January 2023. Subsequently, the ARCs deliberated and made allocation recommendations using estimates made by staff based on assumed funding from HUD and the City.

Similarly to prior years, the amount of funding requested for both General Fund and CDBG allocations exceeded available funding, which resulted in a highly competitive funding allocation process for the FY 2023 cycle. Furthermore, even after Council increased the amount of funding for Art and Music programs in FY 2023, the FY 2024 funding requests far exceeds the amount of available funding, as shown in Figure 1 below.

Figure 1. Funding Requests and Availability since FY 2017⁴⁵



In total, the Public/Social Services, Arts and Music/Special Events, and Infrastructure/Economic Development ARCs interviewed applicants who requested the amounts listed in Table 2 on the following page.

⁴ Total funding available in this figure is based on estimates used at the time of ARC deliberations.

⁵ The significant increase in funding requests for FY 2022 are partially driven by \$2.3M in requests from three agencies for capital or property acquisition projects.

Table 2. Requested FY 2024 Funding by Category

Category	Funding Source	Number of Applicants	Amount Requested	Amount Available
Competitive				
Arts and Music	General Fund	6	\$139,857	\$132,000
Special Events	General Fund	12	\$92,500	\$100,000
Social Services	General Fund	19	\$880,162	\$454,950
Public Services	CDBG	7	\$362,577	\$233,243*
Economic Development	CDBG	4	\$635,637	\$599,263*
Infrastructure	CDBG	4	\$1,187,319	
Non-Competitive				
HUD Required Fair Housing Services ⁶	CDBG	1	\$25,000	\$25,000
Home Rehabilitation & Infrastructure Project Management	CDBG	2	\$325,000	\$325,000
TOTALS		56	\$3,698,052	\$1,869,456*

* Based on estimates and used at the time of the ARC deliberations

Non-Competitive Applications

Per the City of Hayward Compliance Policy Manual adopted by Council in 2014, in each CDBG program year, the cost of administration and HUD-related fair housing activities are subtracted from the annual entitlement award amount. In 2019, staff conducted a competitive RFP process for HUD-mandated fair housing services and Eden Council for Hope and Opportunity (ECHO) was selected. Through the Alameda County analysis of impediments to fair housing completed in 2020, the City committed to funding home rehabilitation programs to prevent displacement of low-income households. For FY 2024, \$25,000 from the CDBG category is allocated to ECHO to provide fair housing services to Hayward residents. This award is required by HUD and the expenses are paid out of the CDBG Administration funds and do not count towards the CDBG Public Services cap.

Furthermore, the City allocates an additional \$25,000 to Habitat for Humanity to support project management of the CDBG infrastructure grants, ensuring the City maintains compliance with federal regulations.

Based on guidance from Council at the April 17, 2018⁷ meeting, Eden Information and Referral (EIR) was removed from the competitive pool of CAF applicants and has since received a non-competitive Services award of \$50,000 from the General Fund to operate 2-1-1 services. EIR is the sole provider of 2-1-1 in Alameda County and the agency has contractually provided critical information and referral services for 45 years. They also serve as the county-

⁶ These funds are allocated from the City's administration and planning set-aside, so they do not impact the HUD-mandated 15% cap on CDBG funds for public services.

⁷ April 17, 2018, Staff Report and Attachments

<https://hayward.legistar.com/LegislationDetail.aspx?ID=3478580&GUID=2981C591-F2C9-4FA2-A12C-29BD575383EA&Options=&Search=>

wide call center for Alameda County's Coordinated Entry System. Funds are provided through a consortium of 14 cities and several County agencies and departments. Since receiving this direction, EIR's allocation has been taken from the competitive funding pool prior to ARC deliberations.

Given the growing gap in funding requested versus funding available, the CSC and staff recommend a separate \$50,000 allocation be included in the annual budget process to support 2-1-1 services, starting in FY 2025. This would result in an additional \$50,000 being made available through the competitive process that previously was reserved for 2-1-1 services. Staff have identified unallocated FY 2023 funding to support a direct allocation to 2-1-1 for FY 2024 services, allowing for the fully budgeted \$454,950 to be distributed through the competitive funding process.

Competitive Application Review

After allocating the non-competitive projects, the remaining funds are made available to eligible community partners and social service applicants through the CAF process. Each application is thoroughly reviewed by staff and the CSC, and agency specific questions are compiled and shared with applicants prior to their interview. During this process, agencies are given ten minutes to present their projects to the appropriate ARC, then an additional ten minutes to answer questions from the ARC. As with last year's funding process, all interviews were held virtually using Microsoft Teams.

Following the interviews, each ARC engaged in extensive deliberation, weighing criteria that included agencies' capacity, leveraging of other funds, history providing quality services, ability to meet target outcomes, and the community's need for the service. Additional consideration was taken in evaluating the number of applications a single agency submitted and the over impact that any one agency's recommended funding would have on the total available funds. Their recommendations are reported in detail in Attachment II.

Funding Approach

The CSC approaches the CAF process with the intent to use available funds for the greatest impact by providing needed services for the City's most vulnerable residents. The CSC is committed to refining this process and continually makes changes to ensure that funding recommendations are in alignment with Council priorities and are responsive to emerging needs. As a result of the most recent CAF review process, modifications were made to better align recommendations to Council priorities, streamline funding opportunities, create a more systematic way to evaluate applications and promote a more equitable distribution of funding amongst community organizations serving different Hayward populations.

CDBG Estimated vs. Actual Award

The City typically receives its CDBG entitlement award notification by late March. Annually, staff use past entitlement awards to estimate the subsequent year's entitlement award. The CSC developed their initial FY2024 funding recommendations based on an estimated entitlement award amount of \$1,300,000. As part of deliberations, the CSC makes recommendations on how to allocate funds in excess of the estimated award.

The ARCs recommended allocating additional funds in excess of CDBG award estimates as depicted in Table 3 below.

Table 3. Methodology of Recommended Allocations for Additional Funding by Category

CATEGORY	GUIDING PRINCIPLES
Economic Development/ Infrastructure	<ul style="list-style-type: none"> Designated two agencies to receive additional funding not to exceed the original requested amounts
Public/Social Services	<ul style="list-style-type: none"> Designated three agencies to receive additional funding not to exceed 75% of the original requested amounts Should there be additional funding, the funding will be allocated 50% to two of the three agencies identified in an amount not to exceed the original requested amounts

In early March, the City was notified of its FY2024 CDBG entitlement award of \$1,527,801, which exceeds the amount staff estimated for the ARC deliberations. Table 4 below, outlines actual FY 2024 available funding in both the General Fund and CDBG monies.

The updated available FY 2024 funding is provided in Table 4 below.

Table 4. Actual FY 2024 Available Funding

FUNDING SOURCE	CATEGORY	AMOUNT AVAILABLE
General Fund	Arts and Music	\$132,000
	Special Events	\$100,000
	Social Services	\$454,950
General Fund Total		\$686,950
CDBG	Public Services	\$267,413
	Economic Development & Infrastructure	\$653,120
	HUD Required Fair Housing Services ⁸	\$25,000
	Home Rehabilitation & Infrastructure Project Management	\$325,000
CDBG Total		\$1,270,533
TOTAL AVAILABLE FUNDING		\$1,957,483

Recommended Allocations

The preliminary ARC recommendations were presented to the CSC at the February 15, 2023, meeting.⁹ At the meeting, the CSC heard public comments, the Chairs of each ARC summarized the discussion and decision-making of their ARC, and discussion ensued. As

⁸ These funds are allocated from the City’s administration and planning set-aside, so they do not impact the HUD-mandated 15% cap on CDBG funds for public services.

⁹ February 15, 2022, Community Services Commission Staff Report and Attachment <https://hayward.legistar.com/LegislationDetail.aspx?ID=6021793&GUID=5EFD5D90-DD28-444C-8E84-3300746EA3BA&Options=&Search=>

part of the discussion around equitable funding, the CSC noted the importance of an agency's ability to diversify funding and not solely rely on the City for ongoing financial support. At the CSC special meeting on April 3, 2023, the CSC unanimously approved the adjusted funding recommendations, which are presented for final review in this report and Attachment II.

Unallocated Special Events Funding

As part of the recent CAF review process, the subcommittee reviewed the Special Event Support and Grant Program established by Council in 2019¹⁰ and integrated special event funding into the annual CAF process. Modifications included caps for Special Events based on the number of prior years the event had been awarded City funding and the event's projected budget. Special Events applicants are not required to perform audits or acquire fiscal sponsors. As a result, the maximum possible award is limited to the category maximum based on years of prior funding or 20% of the event budget, whichever is less.

The recommended Special Event funding allocations fully fund all 12 Special Event applicants up to their allowable maximums. The recommendation would leave approximately \$33,000 in funding available. The CSC expressed desire to distribute these funds to further support Special Event applicants. To maintain a level of transparency and in an effort to equitably distribute funding in a timely manner, staff recommends distributing any unallocated funding through a separate administrative process.

After considering various options, staff recommends administering the \$33,000 in first come first serve grants in an amount of \$3,000. This process would only be available to Special Event applicants that submitted an application through the CAF process, including two applicants who submitted applications and subsequently withdrew themselves from the process due to the 20% grant budget cap.

Staff would notify the eligible Special Event applicants with instructions on how to separately apply for additional funding, including explanation of how additional funding will be used.

This process would be separate from the initial CAF process and would not impact the CAF recommendations nor will it be subject to the Special Event funding caps outlined in the Special Event guidelines. If there are funds available after this process, staff recommend carrying it forward to support the Special Event program in future years.

Racial Equity

The CSC utilizes a racial equity lens in making funding recommendations through the CAF process. Recognizing that cultural humility and shared experience can assist in removing barriers to accessing service, it is the desire of the CSC to fund agencies that reflect the diversity of the community that they serve.

The CSC plays an active role in advancing racial equity in the CAF process and continues to implement changes to their approach for funding recommendations to support the advancement of racial equity. Examples of recent changes include requiring applicants to

¹⁰ December 17, 2019, Staff Report and Attachments:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=4281863&GUID=F67B2968-D186-4128-96D1-87C842FAAB61&Options=&Search=>

submit demographic data about their staffing, leadership, and Board of Directors, as well as asking agencies to describe efforts an organization is undertaking to address racial equity, including any integration of Racial Equity into Strategic Planning and Implementation processes.

The CSC has requested staff offer translation services to interested applicants during the CAF process, particularly during the ARC interviews to help foster participation from non-English speaking applications. The CSC continues to play a critical role in recommending process improvements and funding towards social programs that provide free or low-cost services to the community, including vulnerable, marginalized, and underserved populations.

The Annual Action Plan

Overview

HUD requires that the City update its Annual Action Plan each year. The Annual Action Plan carries out the Consolidated Plan, which is updated every five years. Council approved the current FY 2021-2025 Consolidated Plan on June 23, 2020.¹¹ The Consolidated Plan identifies affordable housing, homelessness, housing preservation, and permanent supportive housing; community development of public facilities and public services; elderly, youth, and family education services; and economic development as priority needs for the City.

The FY 2024 Annual Action Plan summarizes the actions, activities, and financial resources to be used in FY 2023 to address the priority needs and goals identified in the 2021-2025 Consolidated Plan. Community input gathered during the Consolidated Planning process informed the development of these priority needs and goals. To achieve the City’s goals for its use of CDBG funds, the FY 2024 Annual Action Plan includes the projects listed in Table 5.

Table 5. FY 2024 Annual Action Plan Projects

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

¹¹ June 23, 2020 Staff Report and Attachments:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=4576644&GUID=7D9A237D-8934-4D4A-94FA-CFF24B9589CA&Options=&Search=>

Project	Description	Sample Activities
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 for FY 2023	<ul style="list-style-type: none"> • Staffing costs for administering the grant • Planning projects for future programs or development projects • Fair housing activities

Timeline

Staff will publish a draft of the FY 2024 Annual Action Plan for public comment on April 4, 2023, with a Public Hearing for comment and Council recommendation for approval on April 25, 2023. The City’s public comment period will conclude on May 4, 2023 and staff will submit the report to HUD no later than Friday, May 12, 2023.

ECONOMIC IMPACT

The proposed programs funded through CDBG and the General Fund’s Social Services programs 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.

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.

Social Services, Arts and Music, and Special Event funds are General Fund-based and subject to Council discretion. If other General Fund obligations require reductions to this funding, individual grants would be adjusted on a percentage basis accordingly. Historically, Council has acknowledged Social Services grants support “safety net” services (i.e., food, housing, support services for low-income people, and information and referral) and has refrained from reducing or eliminating funding based on fiscal impact. Additionally, as part of the FY 2023 Annual Operating Budget, Council authorized an additional \$50,000 to support Arts and Music programs. These funds are included in the FY 2024 CAF recommendations.

PUBLIC CONTACT

The Public Comment period for the FY 2024 recommended funding allocations and the FY 2024 Annual Plan is in place from April 4, 2023, through May 4, 2023. Public comment on the Community Agency Funding Process and Annual Action Plan will be heard at the Public Hearing on April 25, 2023. Additionally, prior to this Work Session item, the public had the opportunity to provide public comment on the CAF process during the public comment period and at the CSC’s February 15, 2023 and March 15, 2023, meetings.

NEXT STEPS

Next steps include the following:

- On Tuesday, April 25, 2023, a Public Hearing will be held regarding the FY 2024 funding recommendations and FY 2024 Annual Action Plan at the City Council meeting.
- On Thursday, May 4, 2023, the City’s public comment period will conclude.
- Staff will address public comment and on May 12, 2023, will submit the FY 2024 Annual Action Plan to HUD.

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Approved by:



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