



**DATE:** March 16, 2022

**TO:** Community Services Commission

**FROM:** Community Services Manager

**SUBJECT** FY 2023 Community Services Commission Final Recommendations for Funding

### **RECOMMENDATION**

That the Community Services Commission:

1. Reviews and comments on this report;
2. Accepts the Application Review Committees' funding recommendations; and
3. Recommends the funding recommendations to Council for final approval.

### **SUMMARY**

This report provides an overview of the FY 2023 Community Agency Funding process, the Application Review Committees' (ARCs) proposed funding recommendations for consideration by the Community Services Commission (CSC), and next steps in the funding process. The funding is summarized by category in Table 1 below and in detail in Attachment II.

The amount of funding requested for FY 2023 continues to increase compared to previous years. The continual increase in requested funds, even with the additional American Rescue Plan Act of 2021 (ARPA) funding, resulted in a highly competitive funding allocation process for the FY 2023 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.

**Table 1. Summary of Recommended Funding Allocation by Category**

<b>Funding Source</b>	<b>Category</b>	<b>Recipient</b>	<b>Amount</b>
General Fund	Arts & Music	Community Agencies	\$82,000
General Fund	Social Services	Community Agencies	\$416,950
CDBG	Economic Development/Infrastructure	Community Agencies	\$598,763
CDBG/ARPA	Public Services	Community Agencies	\$735,737
<i>Total ARC Recommended Grants \$1,833,450</i>			
General Fund	Referral Services	Eden I&R	\$50,000
CDBG	HUD-Required Fair Housing Services	Community Agency	\$25,000
CDBG	Home Rehabilitation & Infrastructure Project Management	Community Agency	\$325,000
<i>Total Non-Competitive Grants \$400,000</i>			
<b>GRAND TOTAL FY 2023 RECOMMENDED FUNDING (ALL SOURCES) \$2,223,450</b>			

**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 (Community Development Block Grant [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 2023, the CSC is also making recommendations to Council regarding the distribution of one-time American Rescue Plan Act of 2021 (ARPA) funds for eligible community safety and economic recovery activities associated with the COVID crisis in Hayward.

The CSC reviews all eligible applications, and the CSC Chairperson appoints three Application Review Committees 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:** Affordable housing; housing rehabilitation; nonprofit facility improvements; microenterprise business support; 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 (General Fund):** Arts and music programs that benefit Hayward residents, with an emphasis on activities that support youth education.
3. **Public/Social Services (CDBG/ARPA/General Fund):** Benefit low-moderate income Hayward residents through programs to provide food security, health services, homelessness and anti-displacement services, including job training; legal services; youth and education services.

On February 16, 2022<sup>1</sup>, the CSC met and reviewed the preliminary draft recommendations made by each ARC. ARC Chairs and Committee members 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. This report summarizes the CSC's funding recommendations for final approval and submission to Council.

## DISCUSSION

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 process, the CSC Chair appoints three ARCs to conduct applicant interviews and make preliminary recommendations for full CSC consideration.

### Available Funding and Funding Requests

Annually, the City funds approximately \$1.5 Million in social programs that provide free or low-cost services to the Hayward community through a combination of federally awarded CDBG funds and allocations from the City's General Fund. Council has also authorized the distribution of one-time ARPA funds through the FY 2023 CAF process.

The ARCs reviewed applications in December 2021 and conducted interviews in January 2022. Subsequently, the ARCs deliberated and made allocation recommendations using estimates made by staff based on assumed funding from the Department of Housing and Urban Development (HUD) and the City.

Table 2 below provides a summary of the estimated available FY 2023 funding.

**Table 2. FY 2023 Available Funding**

Funding Source	Category	Amount Available
General Fund	Arts & Music	\$82,000
	Social Services	\$416,950
	Referral Services	\$50,000
CDBG	Economic Development & Infrastructure	\$598,763
	Public Services	\$235,737
	HUD Required Fair Housing Services	\$25,000
	Home Rehabilitation & Infrastructure	\$325,000
	Project Management	
ARPA	Public Services	\$500,000
<b>TOTAL AVAILABLE FUNDING</b>		<b>\$2,223,450</b>

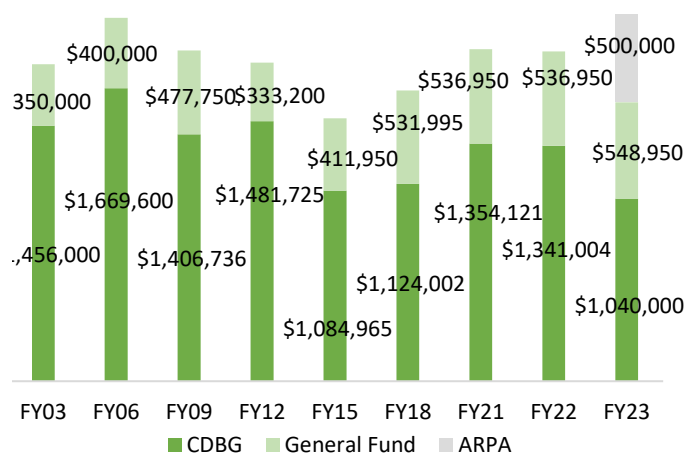
<sup>1</sup> February 16, 2022, Staff Report and Attachments:  
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5450535&GUID=52C38EEC-8F69-44EC-A712-661FEA4E0EE1&Options=&Search=>

The City received 50 applications for FY 2023 funding by the application deadline. Of those applications, 12 were for new proposed programs. The majority of applications are reviewed through a competitive process to allocate \$498,950 from the General Fund, \$500,000 from the City's ARPA funds, and approximately \$835,000 from the City's CDBG entitlement, after the costs of administration and planning are set aside<sup>2</sup>. Four projects will be funded through a non-competitive process in FY 2023, including City-sponsored home rehabilitation programs and infrastructure project management. Further discussion is provided in the following section.

As discussed at the February CSC meeting, four applications did not advance to ARC interviews. Alternatively, staff worked with these agencies to seek other opportunities for funding.

Similarly to prior years, the amount of funding requested for both General Fund and CDBG allocations exceeded available funding. The increase in requested funds, even with the additional ARPA funding, resulted in a highly competitive funding allocation process for the FY 2023 cycle. Historically, the amount of funds available for the Community Agency Funding process has varied, as shown in Figure 1.

**Figure 1. Availability of Community Agency Funding Over Time<sup>34</sup>**



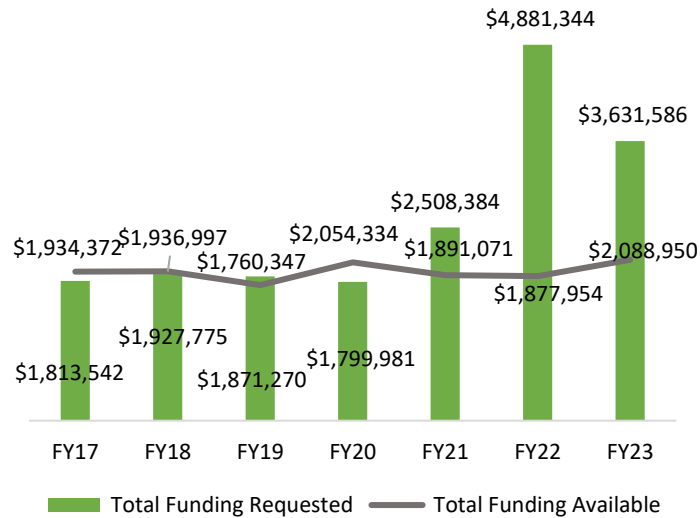
Furthermore, even after eliminating four applications from the competitive process, amounting to over \$42 million in requested funding, FY 2023 funding requests far exceeds the amount of available funding, as shown in Figure 2 below.

<sup>2</sup> Staff estimate this allocation based on previous years' entitlement awards. The actual award is expected by late March 2022.

<sup>3</sup> CDBG totals reflect the estimated entitlement minus 20% for administration and planning.

<sup>4</sup> FY 2023 CDBG funding level is an estimate based on previous years' entitlement awards. The actual award is expected by late March 2022.

**Figure 2. Funding Requests and Availability since FY 2017<sup>5</sup>**



In total, the Public/Social Services, Arts and Music, and Infrastructure/Economic Development ARCs interviewed applicants who requested the amounts listed in Table 3 below.

**Table 3. Requested FY 2023 Funding by Category**

Category	Funding Source	Number of Applicants	Amount Requested	Amount Available
<b>Competitive</b>				
Arts and Music	General Fund	8	\$186,321	\$82,000
Economic Development	CDBG	2	\$90,445	\$598,763
Infrastructure	CDBG	6	\$1,034,219	
Public Services	CDBG/ARPA	11	\$1,311,627	\$735,737
Social Services	General Fund	16	\$609,474	\$416,950
<b>Non-Competitive</b>				
Referral Services <sup>6</sup>	General Fund		\$50,000	\$50,000
HUD Required Fair Housing Services <sup>7</sup>	CDBG	1	\$25,000	\$25,000
Home Rehabilitation & Infrastructure Project Management	CDBG	2	\$325,000	\$325,000
<b>TOTALS</b>		<b>46</b>	<b>\$3,632,086</b>	<b>\$2,223,450</b>

<sup>5</sup> 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.

<sup>6</sup> An application is not required for the non-competitive referral services award.

<sup>7</sup> 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.

## ***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. For FY 2023, \$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. Additionally, through the most recently conducted Alameda County analysis of impediments to fair housing, the City committed to funding home rehabilitation programs to prevent displacement of low-income households. Further, the City allocates an additional \$25,000 to Habitat for Humanity for administrative support on project management of the CDBG infrastructure grants, ensuring the City maintains compliance with federal regulations. Finally, Eden I&R will receive a non-competitive Services award of \$50,000 from the General Fund to operate the 2-1-1 phone line.

## ***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 Community Agency Funding 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. Funding recommendations are influenced by the need for proposed services and an agency's ability to meet certain criteria. While this approach continues to shape the FY 2023 funding recommendations, the Commissioners expressed interest in exploring alternative sources of funding for projects that have historically been recommended for full funding or were continually among the highest prioritized for funding through the CAF process. Additionally, there was interest in having staff identify additional funding sources to address the stagnant funding level for arts and music programs.

## Prioritization of Additional Funds

Given the disparity between agencies' funding requests and the amount of available funding, the ARCs provided general guidance for how any additional funds that may become available beyond staff's estimates should be allocated.

The ARCs recommended allocating additional funds as depicted in Table 4 below.

**Table 4. Methodology of Recommended Allocations for Additional Funding by Category**

CATEGORY	GUIDING PRINCIPLES
Arts and Music	<ul style="list-style-type: none"><li>• Designate additional funding towards the Juneteenth Celebration and request that staff identify additional funding sources outside the competitive process towards this important cultural event</li></ul>
Economic Development/ Infrastructure	<ul style="list-style-type: none"><li>• Designated one agency to receive additional funding up to \$75,000 of additional funding</li><li>• Designate any additional funds toward City housing projects for contributions to housing and homeless development projects</li></ul>
Public/Social Services	<ul style="list-style-type: none"><li>• Designate any additional funding to each program by the percentage determined by the funding recommendations, in an amount not to exceed their original request</li></ul>

As previously stated, staff expects that the City will receive the FY 2023 CDBG entitlement award by late March 2022. Should the entitlement award exceed staff's estimates, the adjusted funding recommendations will be based on the ARC's recommended allocations for additional funds shown above.

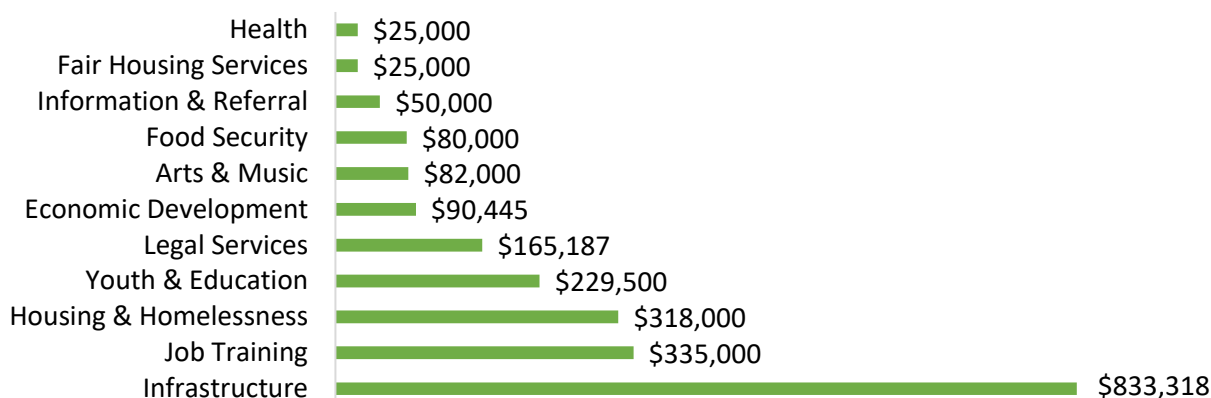
## Recommended Allocations

Each ARC's deliberations resulted in preliminary recommendations, which were reviewed by the CSC at the February 16, 2022, meeting.<sup>8</sup> The CSC heard public comments, then the Chairs of each ARC summarized the discussion and decision-making of their ARC during the CSC meeting. Following the Chairs' presentations, the CSC came to consensus to move forward with the ARC recommendations, which are presented for final review in this report and Attachment II. Figure 3 presents a summary of their recommendations by the type of service each agency provides.

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<sup>8</sup> February 16, 2022, Staff Report and Attachments:  
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5450535&GUID=52C38EEC-8F69-44EC-A712-661FEA4E0EE1&Options=&Search=>

**Figure 3. Recommended Funding Allocation by Service Type**



### **Community Agency Funding Process Review**

As part of the ongoing efforts to refine the CAF process, the CSC requested support and direction from the City Council to clarify Council's funding priorities and to receive feedback on the CAF process to better inform future funding recommendations. On October 26, 2021<sup>9</sup>, the City Council authorized the Mayor to appoint three members of Council to form a sub-group to work with a committee of the CSC to review and discuss the CAF process and provide recommendations to the CSC and Council for further consideration. This joint Council/CSC CAF Review Committee is scheduled to convene at the conclusion of this funding cycle.

### ***Exploration of Arts, Music, and Special Events Funding and Refining Process***

At the ARC Review for the Arts and Music programs, the Committee provided feedback that additional funding be identified to enhance and expand the City's contributions in supporting the Arts and Music programming. In FY 2020, City staff revamped the special events funding process managed by the Economic Development division to better integrate an equity lens in funding distribution. However, this funding for special events was redirected to support businesses impacted by COVID. As we progress beyond the pandemic, staff is currently re-examining the special events funding process and exploring opportunities to utilize the Arts and Music ARC to include additional funding to enhance the support of the Arts and Music agencies, as well as to facilitate funding for City special events. The staff assessment of integrating a special events component to the Arts and Music funding process is in preliminary stages, with a FY 2023 City budget request to increase the funding for these categories. As staff progresses in its assessment, the proposed changes to the Arts and Music ARC will be shared with the CAF Subcommittee for feedback.

### **RACIAL EQUITY**

Racial equity is an integral lens in making considerations for distribution of City resources to service providers of the City's most vulnerable populations. Therefore, the CSC continues to

<sup>9</sup> October 26, 2021, Staff Report and Attachment:

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implement changes to their approach for funding recommendations. As part of the FY 2022 funding process changes were implemented to the CAF application to collect additional demographic data from agencies about their staffing, leadership, and Board, in addition to the individuals that they serve. Recognizing that cultural awareness and shared experience can often remove barriers to accessing service, it is the desire of the CSC to have funded agencies that reflect the diversity of the community that they serve. Furthermore, in alignment with the Racial Equity Action Plan, the CSC engages in discussions around the importance of funding programs and services that are designed to advance racial equity and opportunities for all people in Hayward.

As part of the FY 2023 CAF process, the CSC interviewed over 30 community agencies, receiving information about current community needs and firsthand accounts from individuals who have received services from programs funded through the CAF process. The CSC plays a critical role in recommending funding towards social programs that provide free or low-cost services to the community, including vulnerable, marginalized, and underserved populations.

## **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.

As part of the City's Federal Stimulus Expenditure Plan<sup>10</sup>, Council approved augmenting the FY 2023 Community Agency Funding budget by allocating one-time APRA funding, in the amount of \$500,000, towards addressing the negative economic impacts caused by the public health emergency as a result of COVID-19. These funds are included in the FY 2023 CAF recommendations.

Social Services and Arts & Music funds are General Fund-based and subject to Council discretion. If other General Fund obligations require reductions to Social Services or Arts & Music 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.

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<sup>10</sup> July 13, 2021, Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=5028015&GUID=E0215022-6A47-486F-81C4-9BFB2583AE10&Options=&Search=>

## **PUBLIC CONTACT**

Notice of the public comment period for the preliminary recommended funding allocations was published in The Daily Review on February 4, 2022. The Public Comment period commenced on February 16, 2022, and will close on March 16, 2022. Public comments were accepted at the February 16, 2022, CSC meeting and through email, phone, and written comments to staff.

The following non-profit providers made public comments at the February 16, 2022, CSC meeting:

- Erin Scott, Family Violence Law Center
- Carol Morgan, East Bay Youth Orchestra

At the time of writing this report, six written public comments were received in support of the Sun Gallery. These public comments are provided in Attachment III. Staff will provide the Commission with an update on any comments received after the publishing of this report at the March CSC meeting.

## **NEXT STEPS**

Next steps include the following:

- On Wednesday, March 16, 2022, the CSC will review and make funding recommendations that will be presented to Council at the April 5, 2022, Work Session.
- On Tuesday, April 5, 2022, a City Council Work Session will be held to present the FY 2023 funding recommendations.
- On Tuesday, April 26, 2022, a Public Hearing will be held regarding the FY 2023 funding recommendations at the City Council Meeting.

On March 16, 2022, the Public Comment period on the preliminary recommendations will close and the CSC will make their final recommendations to Council for their review in April.

*Prepared by:* Carol Lee, Management Analyst

*Recommended by:* Monica Davis, Community Services Manager

*Approved by:*

Jennifer Ott, Assistant City Manager