



DATE: April 6, 2021

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT Community Agency Funding: Fiscal Year 2022 Community Agency Funding Recommendations for Services; Arts & Music; and Economic Development and Infrastructure; and Overview of the FY 2022 Annual Action Plan

RECOMMENDATION

That the Council:

1. Conducts a work session regarding the FY 2022 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 2022 Annual Action Plan.

SUMMARY

This report provides an overview of the FY 2022 Community Agency Funding process, the Community Services Commission (CSC) Application Review Committees' (ARCS) proposed funding recommendations for consideration, 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.

Notably, there was a significant increase in requested FY 2022 funding compared to previous years, and no comparable increase in available FY 2022 funds. Therefore, 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.

While the CSC developed their initial recommendations in February, the City was notified on March 2, 2021, that it would receive a CDBG entitlement award that exceeds the amount staff estimated for the ARC deliberations. The CSC met again on March 17, 2021¹, and formally recommended the adjusted FY 2022 funding allocations, which were based on the

¹ March 17, 2021, Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=4836307&GUID=38280EF7-8660-4E3F-A6CA-209EAB01E6E1&Options=&Search=>

ARC's recommended percentage allocations for any additional funds available beyond what staff initially estimated.

This report summarizes the funding recommendations for the City's annual entitlement of CDBG funds (\$1,566,255) for economic development, infrastructure, and public services,² and \$536,950 in General Funds for social services and arts and music programs. The report concludes with a high-level overview of the Department of Housing and Urban Development's (HUD) required FY 2022 Annual Action Plan, which specifies the City's priority needs and goals for using CDBG entitlement funds in FY 2022.

Table 1. Summary of Recommended Funding Allocation by Category

Funding Source	Category	Recipient	Amount
General Fund	Arts & Music	Community Agencies	\$82,000
General Fund	Social Services	Community Agencies	\$404,950
CDBG	Economic Development/Infrastructure	Community Agencies	\$1,029,225
CDBG	Public Services	Community Agencies	\$311,779
<i>Total ARC Recommended Grants</i>			\$1,827,954
General Fund	Referral Services	Eden I&R	\$50,000
CDBG	HUD-Required Fair Housing Services	Community Agency	\$25,000
<i>Total Referral Services and HUD Required Fair Housing</i>			\$75,000
GRAND TOTAL FY 2022 RECOMMENDED FUNDING (ALL SOURCES)			\$1,902,954

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 process.

The FY 2022 Community Agency Funding Process

The Community Agency Funding process opened with the publication (in English and Spanish) of a Notice of Funding Availability (NOFA) on October 2, 2020. The announcement was published 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. Several broadcast email reminders were also sent in advance of the Mandatory Bidder's Conference held on November 3, 2020.

The CSC reviews all eligible applications, and the CSC Chairperson appoints three Application Review Committees (ARCs) by funding category (Infrastructure/Economic Development, Public/Social Services, and Arts and Music) to conduct applicant interviews prior to drafting funding recommendations for Council review and approval. The three funding categories are:

² 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).

1. **Infrastructure and Economic Development:** Affordable housing; 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 (General Fund):** Arts and music programs that benefit Hayward residents, with an emphasis on activities that support youth education.
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 17, 2021³, 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. On March 17, 2021, the CSC met and unanimously voted to recommend the funding as outlined in Attachment II.

DISCUSSION

The FY 2022 Community Agency Funding Process

Each year, the City receives applications from community agencies requesting funding through the competitive Community Agency Funding 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 ARCs reviewed applications on January 23 and January 30 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. The City was notified on March 2, 2021, that it would receive a CDBG entitlement award of \$1,566,255, which exceeds the amount staff estimated for the ARC deliberations. Staff adjusted the ARCs initial funding recommendations based on the ARCs recommended percentage allocations for any additional funds available beyond what staff initially estimated.

Table 2 that follows provides a summary of all available FY 2022 funding, updated as of March 2, 2021, with the actual CDBG entitlement award.

³ February 17, 2021, Staff Report and Attachments:

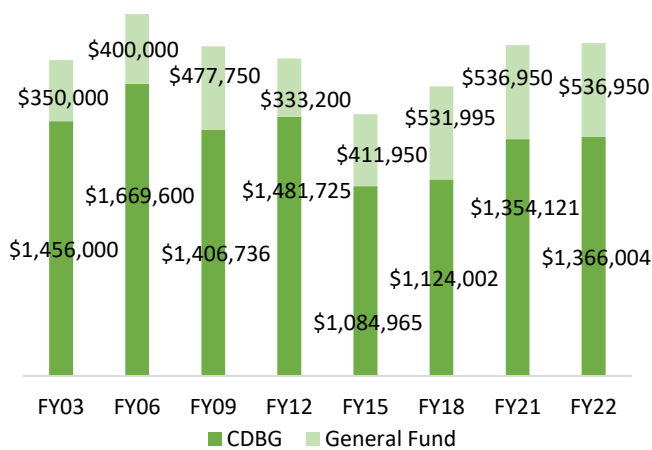
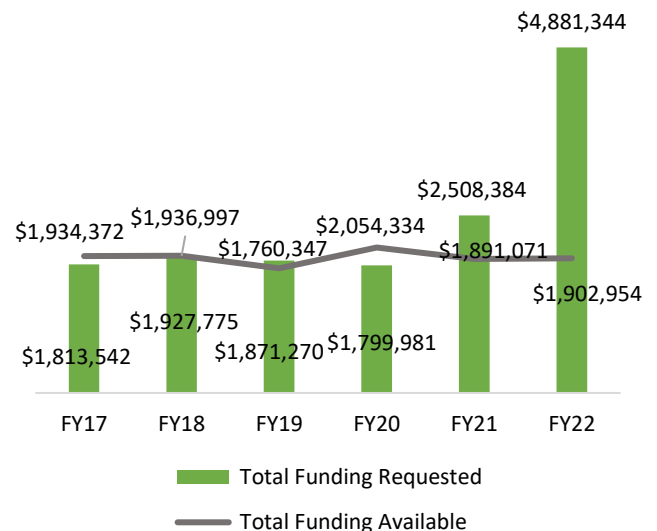
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Table 2. FY 2022 Available Funding

Funding Source	Category	Amount Available
General Fund	Arts & Music	\$82,000
	Social Services	\$404,950
	Referral Services	\$50,000
CDBG	Economic Development & Infrastructure	\$1,029,225
	Public Services	\$311,779
	HUD Required Fair Housing Services	\$25,000
TOTAL AVAILABLE FUNDING		\$1,902,954

The City received 47 applications for FY 2022 funding by the December 11, 2020 deadline. Of those applications, nine were for new proposed programs. The majority of applications are reviewed through a competitive process to allocate \$486,950 from the General Fund and approximately \$1,300,000 from the City's CDBG entitlement, after the costs for administration and planning are set aside⁴.

Notably, the amount of funding requested for both General Fund and CDBG allocations increased significantly compared to previous years; however, the available funds are not expected to change from the previous year. Historically, the amount of funds available for the Community Agency Funding process has varied, as shown in Figure 1. Further, FY 2022 represents the largest disparity between agencies' funding requests and the amount of available funding, as shown in Figure 2 below.

Figure 1. Availability of Community Agency Funding Over Time⁵**Figure 2. Funding Requests and Availability since FY 2017⁶**

⁴ Staff estimated this allocation based on previous years' entitlement awards. The actual award was not available during the deliberations and was released on March 2, 2021.

⁵ CDBG totals reflect the entitlement minus 20% for administration and planning. Totals for previous years do not include program income, while FY 2022 includes an estimate for program income to enable the ARCs to allocate as much as possible to CDBG-funded community agencies.

⁶ 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.

The increase in requested funds, without an increase in available funds, has resulted in an even more competitive funding allocation process for FY 2022. As with last year's funding process, only two projects will be funded through a non-competitive process in FY 2022. Further discussion is provided in the following section.

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

Table 3. Requested FY 2022 Funding by Category

CATEGORY	FUNDING SOURCE	NUMBER OF APPLICANTS	AMOUNT REQUESTED	AMOUNT AVAILABLE
Competitive				
Arts and Music	General Fund	9	\$176,827	\$82,000
Economic Development	CDBG	5	\$540,265	\$1,029,225
Infrastructure	CDBG	5	\$2,662,400	
Public Services	CDBG	6	\$593,820	\$311,779
Social Services	General Fund	20	\$833,032	\$404,950
Non-Competitive				
Referral Services	General Fund	1	\$50,000	\$50,000
HUD Required Fair Housing Services	CDBG	1	\$25,000	\$25,000
TOTALS		47	\$4,881,344	\$1,902,954

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 2022, \$25,000 from the CDBG Administration category is allocated to ECHO to provide fair housing services to Hayward residents. This award is required by HUD and separate from the CDBG Public Services funds available in the competitive process. Additionally, Eden I&R will receive a non-competitive services award of \$50,000 from the General Fund to operate the 211 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 committee. This year, applicants made their presentations 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 an agency's ability to adapt their service delivery model to continue quality services while adhering to federal, state, and local COVID-19 guidelines. Their recommendations are reported in detail in Attachment II.

Funding Approach

The CSC approaches the Community Agency Funding 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 2022 funding recommendations, the Commissioners expressed interest in exploring alternative sources of funding for some projects historically funded through the Community Agency Funding process in order to create more opportunities for innovative programs that meet the unique needs of the community. For example, the Services ARC acknowledged the importance of the SAVE COPS program, currently providing resources and support for domestic violence victims through an on-site advocate located at the Hayward Police Department (HPD). In recognition of this partnership, the CSC suggested alternatively funding these services through the HPD budget in future years, thereby freeing up additional dollars for new services.

Prioritization of Additional Funds

Given the disparity between agencies' funding requests and the amount of available funding, the ARCs each engaged in two rounds of recommendations. The first round of allocations was based solely on the estimate for funds available. The second round of allocations was based on if the City of Hayward's entitlement award for CDBG funds is greater than estimated or if additional General Funds become available. This discussion becomes more applicable with the recent passage of the American Rescue Plan Act of 2021, which provides significant local assistance dollars to support community recovery from COVID. The Council is holding a separate work session this same evening on a possible allocation framework for those funds and the requests made during the CSC funding process should be kept in mind while discussing that item.

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">• Percentage Basis• Allocate additional funding to the three highest rated agencies
Economic Development/ Infrastructure	<ul style="list-style-type: none">• Designated one agency to receive starter funding up to \$50,000 of additional funding• Percentage Basis• Use the amount the agencies were not funded as a guide for allocating additional funds

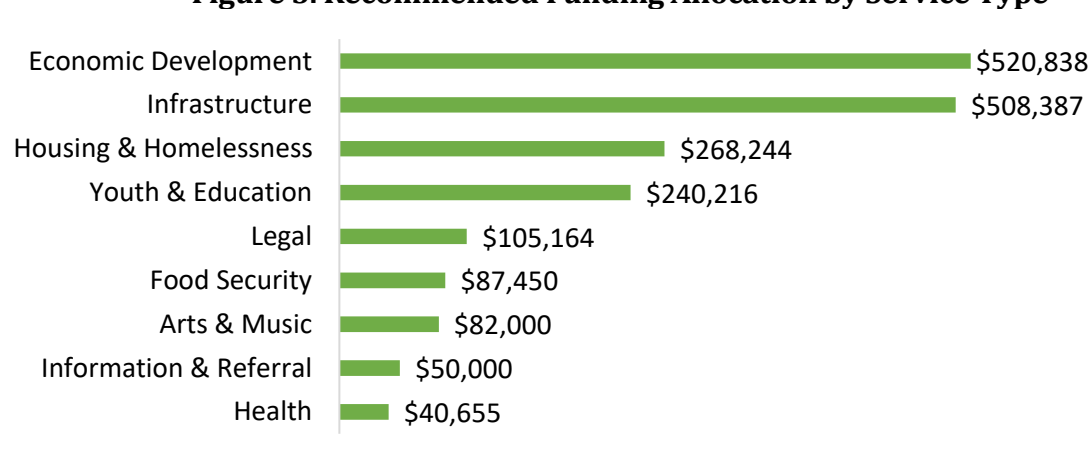
Public/Social Services	<ul style="list-style-type: none"> • Percentage Basis for CDBG award to two agencies • Prioritize categories of food, health, and housing and defer to staff to distribute additional General funds
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As previously stated, the City was notified on March 2, 2021, that it would receive a CDBG entitlement award of \$1,566,255, which exceeds the amount staff estimated for the ARC deliberations. The adjusted funding recommendations are based on the ARC's recommended percentage allocations for additional funds shown on the previous page.

Recommended Allocations

Each ARC's deliberations resulted in preliminary recommendations, which were reviewed by the CSC at the February 17, 2021 meeting.⁷ The CSC heard public comment, then the Chairs and committee members of each ARC summarized the discussion and decision-making of their ARC during the CSC meeting. The CSC discussed exploring alternative funding sources for the Hayward Public Library's Family Education Program, such as Measure C, noting the importance and long-term need for education services. Following this discussion, the CSC came to consensus to move forward with the ARC recommendations. At the subsequent CSC meeting of March 17, 2021, the adjusted funding recommendations, which reflected the adjusted allocations based on the ARCs recommendations for the additional CDBG entitlement, was reviewed by the CSC. The CSC supported the adjusted funding 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.

Figure 3. Recommended Funding Allocation by Service Type



COVID-19 Impacts

The global COVID-19 pandemic has intensified the acute housing crisis in Hayward and surrounding Bay Area cities and created a greater need for timely homelessness response and intervention, particularly for individuals with increased health vulnerabilities.

⁷ February 17, 2021, Staff Report and Attachments:

<https://hayward.legistar.com/MeetingDetail.aspx?ID=843192&GUID=F9293854-0220-405A-84B5-2945ED178553&Options=info|&Search=>

In recognition of these crises and considering emerging needs resulting from the pandemic, the Services ARC prioritized protecting basic needs such as food access and healthcare and preventing homelessness. Through this approach, the Services ARC considered the extent to which applicants' programs and services would increase food security, health services, and support to the City's unstably housed and homeless.

Racial Equity

In alignment with the Racial Equity Action Plan, the CSC engaged 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 2022 funding process, staff responded to the request of the CSC by implementing changes to collect additional data from agencies about their staffing, in addition to the individuals that they serve.

The Commissioners stated their desire to include racial equity to the criteria for future funding and expressed interest in further supporting minority-led organizations, especially Black-led organizations in the future.

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, 2020.⁸ 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 2022 Annual Action Plan summarizes the actions, activities, and financial resources to be used in FY 2022 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 the use of CDBG funds, the FY 2022 Annual Action Plan includes the projects listed in Table 5.

Table 5. FY 2022 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

⁸ June 23, 2020 Staff Report and Attachments:
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Project	Description	Sample Activities
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
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
Economic Development	Provide economic development support to small businesses and individuals seeking employment training to create or retain permanent jobs.	<ul style="list-style-type: none"> • Technical assistance to small businesses • Grants to small businesses • Employment training programs
Acquisition, Disposition, Clearance, Relocation	Increase the supply of affordable housing and temporary shelter through acquisition of land and real property.	<ul style="list-style-type: none"> • Acquisition of property to increase capacity of City's shelter system
Administration	Citywide administration of the CDBG program for FY 2022	<ul style="list-style-type: none"> • Staffing costs for administering the grant • Planning projects for future programs or development projects

Timeline

Staff will publish a draft of the FY 2022 Annual Action Plan for public comment on April 6, 2021, with a Public Hearing for comment and Council recommendation for approval on April 27, 2021. Concurrent to the City's public comment period, staff must submit a draft of the Annual Action Plan to the County for publishing in conjunction with the HOME Consortium's Annual Action Plan comment period on April 12, 2021. The City's public comment period will conclude on May 6, 2021 and staff will submit the report to HUD no later than Friday, May 14, 2021.

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. The recommendations are not specifically related to a project identified in the Strategic Roadmap.

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. Historic reductions to the City's CDBG grant size and diminishing program income have resulted 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 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.

PUBLIC CONTACT

The Public Comment period for the recommended funding allocations and FY 2022 Annual Plan is in place from April 6, 2021, through May 6, 2021. Public comment on both the Annual Action Plan and the Community Agency Funding Process will be heard at the Public Hearing on April 27, 2021. Additionally, prior to this Work Session item, the public had the opportunity to provide public comment on the community agency funding process at the CSC's February 17, 2021 and March 17, 2021, meetings. Public comment can be reviewed in the Attachment I Staff Report of the CSC's March 17, 2021, meeting.⁹

NEXT STEPS

Next steps include the following:

- On Tuesday, April 27, 2021, a Public Hearing will be held regarding the FY 2022 funding recommendations and FY 2022 Annual Action Plan at the City Council Meeting.
- On Thursday, May 6, 2021, the City's public comment period will conclude.
- Staff will address public comment and on May 14, 2021, will submit the FY 2022 Annual Action Plan to HUD.

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Approved by:



Kelly McAdoo, City Manager

⁹ March 17, 2021, Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=4836307&GUID=38280EF7-8660-4E3F-A6CA-209EAB01E6E1&Options=&Search=>