



**DATE:** March 18, 2026

**TO:** Community Services Commission

**FROM:** Assistant City Manager

**SUBJECT** FY 2026-2027 Staff Recommendations for the City of Hayward’s Community Development Block Grant Program Allocations

**RECOMMENDATION**

That the Commission reviews and comments on staff’s recommendations for the City of Hayward’s Community Development Block Grant (CDBG) Fiscal Year 2026-2027 allocations and the Commission’s scope of work with the cancellation of the Community Agency Funding (CAF) process for fiscal year 2026-2028 funding.

**SUMMARY**

This report provides an overview of staff recommendations for the City of Hayward’s CDBG Fiscal Year 2026–2027 allocations and summarizes the Community Services Commission’s (CSC) ongoing discussions regarding its scope of work.

**BACKGROUND**

**Community Agency Funding Process**

Historically, the City of Hayward has held an annual CAF process funded through CDBG and General Fund allocations. In Fiscal Year 2024-25, the CAF process distributed approximately \$1.7 million to infrastructure and economic development, public services, and arts and music projects that served the Hayward community, with a focus on programs providing free or low-cost services to low- to moderate-income residents.

The CAF process is administered by the Community Services Division. The CSC, an advisory body to the City Council, reviews applications and makes funding recommendations. By March, the CSC typically has completed its review of agency applications and interviews and presents their initial funding recommendations to the full Commission.

**Spring 2025 Updates to the Funding Process**

Last year, staff worked with the CSC to implement improvements, which were developed using feedback from previous applicants, with the goals of improving transparency and equitable decision making. Key changes included:

1. Shifting to two-year contracts,
2. Creating a separate and more streamlined Arts & Music funding process,

3. Updating the scoring rubric to align with Council priorities, and
4. Reevaluating the application review and interview process.

These improvements have been reflected across all CAF materials, including the notice of available funding, request for proposals packet, funding application, and scoring rubric.

**Significant Budget Deficit & Reduction in FY 2025-2026 Contracts**

In July of 2025, staff identified a significant deficit for the City’s previous fiscal year of approximately \$30 million, depleting the City’s reserves. In addition, staff updated the City’s forecast budget deficit for FY 2025-2026 to be \$26 million.

In order to stabilize the City’s finances, the City Manager took several steps, including the difficult decision to terminate most competitive General Fund funded CAF contracts after the initial payment. As a result, the FY 2025–2026 General Fund–awarded projects only received 50% of their allocated funding before their contracts were terminated, totaling approximately \$218,931. For FY 2025-2026, the CDBG-awarded contracts maintain their full amount, which are listed in Attachment II.

**Notice of Cancellation of Funding Availability**

Due to the City’s ongoing structural deficit in the tens of millions of dollars, the City canceled the fall 2025 CAF process and published a Notice of Cancellation of Funding Availability on October 20, 2025. The canceled cycle would have allocated General Fund, CDBG, and Opioid Settlement Remediation funds for fiscal years 2026 through 2028.

Because of this cancelation, the CSC did not conduct its typical review of applications. Instead, this report presents CDBG allocation recommendations that focus on eligible, one-time internal projects. At its January meeting, the CSC specifically requested additional details on the eligibility criteria and the rationale behind staff’s recommended CDBG allocations. It was also expressed that the CSC preferred that staff avoid any ongoing expenses like staff time when making recommendations as they want to ensure the funding is available for future CAF cycles.

**DISCUSSION**

For FY 2026–2027, the City must implement cost-saving measures to address its \$32.5 million General Fund budget deficit, including prioritizing CDBG funds for eligible, one-time internal projects. The City has approximately \$1,227,000 from the it’s estimated CDBG entitlement, after the costs of administration and planning are set aside.<sup>1</sup> Table 1 on the next page shows the breakdown of the City’s total estimated award by CDBG category.

**Table 1. Community Development Block Grant Estimated Funding Amounts**

CDBG CATEGORY	ESTIMATED AMOUNT
Administration and Planning (20% cap)	\$269,436
Housing	\$375,000
Public Services (15% cap)	\$202,077

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<sup>1</sup> Staff estimate this allocation based on previous years’ entitlement awards. The actual award is expected to be announced in the Spring, pending delays in the federal legislature.

Public Facilities/Infrastructure and Economic Development	\$650,666
<b>Estimated Total</b>	<b>\$1,497,179</b>

Table 2 presents staff recommendations for FY 2026–2027 CDBG funding allocations. Staff evaluated potential one-time, CDBG-eligible projects for allocating funds to internal services while considering the Commissioners’ feedback from January’s CSC meeting. The recommendations below include: 1) projects mandated by the Department of Housing and Urban Development (HUD), 2) projects the City has already committed to funding, and 3) anticipated City projects that meet CDBG eligibility requirements.

**Table 2. Staff Recommended Allocations for FY 2026-2027 CDBG Funding**

CATEGORY	PROJECT	RECOMMEN DED AMOUNT	TYPE
Admin	Administration and Planning	\$243,134	Committed
Admin	Eden Council for Hope and Opportunity (ECHO) Fair Housing Services	\$26,302	Required
Housing	Habitat for Humanity	\$225,000	Committed
Housing	Rebuilding Together East Bay	\$150,000	Committed
Public Services	Eden Information and Referral (EIR)	\$50,000	Committed
Public Services	Hayward Navigation Center	\$152,077	Eligible
Public Facilities & Infrastructure	Fire Equipment Purchases for stations located in Low to Moderate Income Areas	\$650,666	Eligible
<b>Estimated Total</b>		<b>\$1,497,179</b>	

***Administration and Planning***

Out of the estimated \$1.5 million in CDBG funding for next fiscal year, \$269,436 is allocated to administration and planning, which covers staff time for grant management, required reporting, and federally mandated fair housing services. Of that amount, \$26,302 is set aside for fair housing services required by HUD, provided by ECHO.

***Housing***

Through the Alameda County Analysis of Impediments to Fair Housing completed in 2020, the City committed \$300,000 to home rehabilitation programs to prevent displacement of low-income households as written in the City’s Housing Element Plan. Last fiscal year, staff recommended a \$50,000 increase to address rising construction costs and maintain current service levels. To sustain that level of service, staff recommend continuing the same total allocation of \$350,000. These projects are eligible for CDBG because they are home rehabilitation projects that qualify as low to moderate income housing projects.

Additionally, the City allocates \$25,000 to Habitat for Humanity to support project management of CDBG infrastructure grants and ensure compliance with federal regulations.

### ***Public Services***

For fiscal year 2026-2027, staff recommend allocating \$50,000 to Eden I&R for information and referral services and the remaining public services amount to the Hayward Navigation Center for their housing and homelessness services. Both services are eligible CDBG projects as they serve predominantly low to moderate income clientele.

#### *Eden I&R*

EIR is the sole provider of 211 services in Alameda County. The agency has provided critical information and referral services for 45 years and serves as the countywide call center for Alameda County's Coordinated Entry System. Their contract is funded through a consortium of 14 cities and several County agencies and departments, and Hayward's annual share is \$50,000. The City has historically contributed through the General Fund. Staff recommend shifting this project's funding source from the General Fund to CDBG for this funding cycle, as the services meet CDBG eligibility requirements.

#### *Hayward Navigation Center*

For the remaining Public Services allocation, staff recommend directing \$152,077 and any additional public services funding to the Hayward Navigation Center (HNC), which is operated by Bay Area Community Services (BACS). Homelessness and housing was defined as one of the CSC's top priorities for funding among services projects during the FY 2025-2026 process. The HNC is the cornerstone of the City's homelessness reduction strategy.

The HNC opened in November 2019 as a central component of the City of Hayward's response to homelessness and the shortage of shelter beds for unhoused residents. The facility operates as a low-barrier, interim congregate (dormitory-style) shelter 66 beds. The program provides housing navigation and supportive services under a Housing First framework, which prioritizes placement into stable housing before addressing other needs such as employment, mental health, or substance use. The HNC remains the only interim shelter serving single adults in Hayward. In calendar year 2025, 83% of all exits from the HNC were to positive housing destinations.

In April 2026, the HNC will relocate to Regis Village and transition from a congregate dorm-style model to a non-congregate setting with two residents per room, reducing capacity from 66 to 44 beds. The new site will also co-locate substance use residential services, a sobering center, and wellness resources, creating opportunities for more integrated care. Despite the reduced capacity, staff expect continued positive outcomes, as research shows individuals experiencing homelessness are more likely to accept non-congregate shelter and that these models are associated with higher rates of transition to permanent housing.

For FY 2026-2027, the HNC is projected to cost approximately \$1,540,000 to operate. Due to the City's fiscal situation, staff have successfully worked with BACS to reduce operating costs without negatively impacting service delivery. One funding source, Proposition 47 grant funding, requires a matching commitment. The recommended CDBG allocation will be leveraged to maintain this outside grant funding.

### ***Public Facilities and Infrastructure***

For fiscal year 2026-2027, staff recommend allocating \$650,666 to fire equipment purchases for stations located in low to moderate income areas. After evaluating potential projects, staff developed this recommendation based on the project's eligibility and administrative factors.

The proposed project is an anticipated City project that directs funds to a low- to moderate-income area and supports compliance with HUD timeliness requirements for expending CDBG funds. Fire protection equipment is considered for this purpose to be an integral part of a public facility and thus, purchase of such equipment would be eligible under Federal Regulation 24 § 570.201(c).

Staff evaluated several potential capital projects, including improvements to La Vista Park and ADA upgrades to City Hall; however, significant constraints limit the City's ability to deploy CDBG funds for these projects in a timely manner. Because La Vista Park is a multi-million-dollar project, the use of federal funds would trigger Build America, Buy America (BABA) requirements, applying domestic sourcing standards to all materials and significantly increasing project costs. Staff worked with the Development Services, Public Works, and Maintenance departments to explore upcoming eligible projects, such as street safety improvements or future ADA enhancements. While none were identified at this time, staff will continue coordinating across departments as future opportunities arise.

### **CSC Scope of Work**

The CSC has engaged in ongoing discussions about its dedicated work plan. These discussions became more prominent when the CAF process transitioned to a two-year grant cycle, raising questions about the CSC's scope of work during off-cycle years. The City's \$32.5 million budget deficit and subsequent cancellation of this year's CAF process have accelerated this conversation on what the CSC's roles and responsibilities will look like until the City works to replenish its General Fund reserves and bring back the CAF process.

During the March CSC meeting, staff will discuss in further detail how changes to the CAF process affect the CSC's scope of work and help refine a work plan based on the work the CSC working groups presented in January.

#### *Future CAF cycles*

As of right now, due to fiscal constraints, the City does not intend to implement the typical CAF process in fall of 2026 for FY 2027-2028 grants. There are various external factors that the City is actively working on to bring the General Fund back to healthy levels over the next several years, such as increasing revenue via a possible Business License Tax measure in November 2026, as well as further reducing costs through structural changes. The City will have a better understanding of its fiscal situation by the end of calendar year 2026 and whether the CAF cycle can be phased back in for fall of 2027.

#### *CSC Working Groups*

When the City originally published its notice of cancellation, it sent out a Stakeholder Survey asking about the impacts of these policy decisions and asking about any non-monetary ways the Commission can support. Among the 33 responses, the top requested support areas were: direct volunteering and volunteer recruitment support, promotion of programming and developing more awareness in the community of programs, and assistance to identify other funding sources. In previous years, City Council has also mentioned that they would like the CSC to provide their expertise and provide technical assistance to agencies to help them find other funding sources.

During the November CSC Meeting, the CSC created working groups in response to the survey results and these working groups reported on their progress in January.

#### Working Group Updates:

- **Direct volunteering support and recruitment:**
  - Reached out organizations to inquire about volunteering opportunities and heard back from two organizations on volunteering opportunities.
  - Reach out to high schools to find individuals interested in volunteering and would like to create a system to involve high school students with these organizations.
  - If the CSC develops an ongoing and updates list for volunteering, the City can host on the Community Services Commission webpage.
  - Prior to this report out, Spectrum Community Services also made public comment inviting the CSC to volunteer at the Josephine Lombard Lodge.
  
- **Promotion and awareness:**
  - Looking to partner with Hayward Herald to bring awareness and transparency on the changes to the CAF process and how the Commission is looking to support agencies during this time. Looking for CSC members to promote future pieces of communication through their own social media platforms.
  - The Hayward Herald also has an events calendar where they can share any volunteer opportunities.
  
- **Identifying additional funding sources:**
  - Potential ideas: share any grant platform subscriptions with agencies, CSC could share a list of grant platforms with agencies, share discounts on technology and website services, provide TA/webinar on how to utilize and access these types of services, host network or capacity building events using City meeting space, develop a centralized calendar where agencies can go to, connect nonprofits to local businesses for sponsorships, in-kind gifts, promotion, or events, work with Hayward employees to support nonprofits in the area, match CSC members or people within the CSC's network with specific skills with nonprofits' needs (ie. Data support, grant writing).
  - There was discussion about making meetings rooms available to nonprofits. The Library does have reduced rates for larger meeting rooms for non-profits and also free meeting rooms, Meeting Room C and the Weekes Meeting room are free to book. More information on the Library's meeting rooms can be found on their [webpage](#).
  
- **Resource Research and Development:**
  - Reviewed the City's resources and tested keywords to see if the City's resources are easily accessible.
  - Found issues with mobile accessibility and broken links and suggested mirroring the Library's event calendar to improve the Community Resource guide's appearance and accessibility.

## **NEXT STEPS**

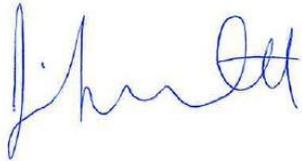
The next steps for the proposed FY 2026-2027 CDBG allocations are:

- March 18 CSC Meeting: Public Comment Period starts
- April CSC meeting (tentatively scheduled for April 22): Public Comment Period closes and the CSC finalizes the final recommendations
- May 5 City Council Meeting: Funding recommendations are presented to Council in a work session
- June 2 City Council Meeting: Public Hearing

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Commission Staff Liaison

*Recommended by:* Mary Thomas, Assistant City Manager

*Approved by:*

A handwritten signature in blue ink, appearing to read "Jennifer Ott".

Jennifer Ott, City Manager