



**The Continuum of Care (CoC) Program
(24 CFR part 578)
NC-513 FUNDING REALLOCATION POLICY**

Overview

The Department of Housing of Urban Development (HUD) will prioritize Continua of Care that demonstrate a capacity to reallocate funding during the annual Notice of Funding Opportunity (NOFO) local competition from underspending and/or underperforming projects to create new projects and/or increase funding for higher performing projects through the Continuum of Care's (CoC) competition process. HUD requires all Continua of Care to review HUD funded homelessness assistance renewal projects, as listed on the approved annual Grant Inventory Worksheet (GIW), to determine if all projects operating within a CoC are performing in a way that meets local priorities, are highly utilized, cost effective, and meet spending and performance benchmarks. Under the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH), the local reallocation process conducted during the annual NOFO, allows a CoC to create new projects and/or expand existing projects by reallocating all or a portion of funds from an existing CoC project that is eligible for reallocation due to underspending and/or underperforming.

CoC acknowledges that preserving existing renewal projects for the community provides continuity of care for project participants and strengthens the system infrastructure only when the quality of those projects is managed effectively and efficiently. Therefore, the intent of the CoC is to maintain a Reallocation Policy that is in alignment with HUD CoC Competition(s) requirements, the HEARTH Act, and prioritizes spending and project performance to improve overall system performance, ensure effective use of funds, and better respond to community needs. Accordingly, the CoC will ensure all projects meet performance and spending benchmarks while accounting for implementation barriers that may hinder a projects ability to fully utilize grant funds during the performance period as part of the annual funding review process.

Finance and Spending

All renewal projects are expected to expend 100% of funds allocated to them in the grant term. All renewal projects will be assessed on their ability to utilize awarded funding and have no unresolved findings in the most recent agency audit and/or HUD monitoring. Having recaptured project grant funds for two consecutive years may result in a project's renewal demand being reduced to the amount disbursed at the end of the 12-month review period. Exceptions may be made for new projects that could not expend funds due to implementation barriers.

Voluntary Reallocation

As part of the local competition for inclusion in the NOFO's Priority Listing, providers are



strongly encouraged to voluntarily reallocate funding from their existing projects that are not spending the full award, underutilizing beds, underperforming, not in alignment with Housing First principles and practices, and/or with significant, unresolved findings. Surrendered funds are then utilized by the CoC for the creation of new projects and/or the expansion of existing renewal projects. Renewal projects that cannot effectively spend all project funding may choose to relinquish any portion or all of the award, as long as they commit to identifying housing placement for any household that would be displaced as a result of the reallocation or dissolution of a project, if applicable.

Renewal project applicants may also apply to transition an eligible renewal project from one program component to another eligible new component through reallocation and use those funds to create a single, new transition grant if available in the NOFO. Youth Homelessness Demonstration Project (YHDP) renewal project applicants are not permitted to utilize the transition grant application process. To create a Transition Grant through the reallocation process, the CoC must wholly eliminate one or more projects and use those funds to create the single, new transition grant.

For a new project to be considered a transition grant, the new project applicant must be the recipient listed on the current grant agreement for the eligible renewal grant(s) being eliminated, the current recipient must have the consent of the CoC; applicant must include the grant number(s) of the project(s) being eliminated to create the new project, and the new project application must meet project eligibility and project quality thresholds established by HUD in the NOFO.

Involuntary Reallocation

Projects that are not fully expending funds or underspending grant awards at the expiration of their performance period that had recaptured funds are subject to the CoC reallocation process.

Projects that have underspent their award may have their allocations reduced as noted below and those funds shall be reallocated for the creation of New Project(s) or expansion of existing renewal grants. A one-year grace period may be extended to the providers who appeal the proposed reallocation with a corrective action plan that demonstrates that the grant's expenditure rate will be improved in the current program year. Projects that have under-expended their award in two consecutive program years, without reallocation during the previous year, may have their funding reduced through reallocation in the CoC NOFO competition.

- Projects with annual renewal demand under \$150,000 may have no less than 10% of funds reallocated to a new and/or existing project.
- Projects with annual renewal demand between \$150,000 and \$300,000 may have no less than 10% of funds reallocated to a new and/or existing project.
- Projects with annual renewal demand equal to or above \$300,000 may have no



less than 5% of funds reallocated to a new and/or existing project.

Conflict of Interest

Consistent with the CoC Conflict of Interest Policy, no CoC member may participate in or influence discussions and/or decisions concerning reallocation, the award of a project or other financial benefits to the organization that the member represents or to themselves as individuals. Therefore, the CoC Lead Agency/Collaborative Applicant will 1) not participate in any discussion or deliberation about reallocation that may impact their CoC funding, and 2) no CoC-Board member with conflict will be involved in any reallocation discussion or decision-making with the Funding Review Committee.