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**HUD CoC Program**

**Reallocation Policy**

**Background**

The Michigan Balance of State Continuum of Care (CoC) is committed to maximizing the effectiveness of financial resources to house as many individuals and families as possible. To this end, reallocation of existing resources is a tool that may be used. Reallocation of existing US Department of Housing and Urban Development (HUD) CoC funding should be undertaken with the utmost care.

**Definition**

Reallocation; per Section III.C.3 (q) of the FY 2018 CoC Program NOFA: Reallocation is when a CoC shifts funds in whole or part from existing eligible renewal projects to create one or more new projects without decreasing the CoC’s Annual Renewal Demand (ARD). New Projects created through reallocation must meet the requirements set forth in the annual CoC Notice of Funding Availability (NOFA) and project eligibility and project quality thresholds established by HUD at a minimum. Each year HUD determines eligible reallocation project types in the CoC NOFA. Involuntary reallocation of funds should be considered only when projects are determined to be underperforming, obsolete, or do not contribute substantially to meeting the goals of the Continuum of Care for preventing and/or reducing homelessness.

**Process Overview**

The process used in determining reallocation of funds should be structured in such a way that mitigates perceptions of reallocation as a threat or in a way that removes barriers to a provider thinking critically about the performance of a project. In some cases, projects in which CoC funding is reallocated may be eligible for another source of funding which might be more appropriate than than HUD CoC funding.

Decisions to reallocate funds shall be evidence-based. Each CoC funded project will be evaluated annually using specific information to include but not be limited to: data entered into HMIS, the HUD Annual Performance Report, the PIT Count, AHAR report and the HIC Count, the CoC project application, Cost per household served, HUD CoC system performance measurements and other HUD recommended data tools. Reallocation action will be taken with the goal of alignment with the HUD and HEARTH ACT policy guidance, performance criteria specified in the annual HUD NOFA with emphasis on local needs, data and project performance. Consideration will also be given to the potential impact that involuntary (performance based) reallocation may have on increasing homelessness resulting from a reduction in services caused by the reallocation. The CoC intends to make data driven decisions that align with HUD’s goal and priorities for Continuum of Care funding and align with the Federal Strategic Plan to Prevent and End Homelessness.

**Timeline and Responsible Parties**

The annual monitoring and evaluation process will begin following the submission of the previous year’s CoC Program Application. Within this process, HUD CoC Funded agencies, the Project Evaluation Committee, Executive Committee, and other interested parties will meet to discuss possible changes to HUD CoC Funded projects.

**Types of Reallocation**

* Projects may be allocated in the following ways:
* Funding (in whole or part) from one project into a new project by the same provider
* Funding (in whole or part) from one project into a new project by a different provider
* Funding (in whole or part) from one project into many new projects
* Funding (in whole or part) from multiple projects into one new project
* Funding (in whole or part) from multiple projects into many new projects

**I. VOLUNTARY REALLOCATION**

If a provider has determined that a project could better serve the community with changes made through reallocation, they may voluntarily submit the project for reallocation. If a provider elects to voluntarily reallocate a project, the provider shall notify the CoC Coordinator of their intent prior to the release of the local application. The provider has the option to submit an application for a new project utilizing the reallocated funds (see *Types of Reallocation* above for all configurations), or they may opt not to apply which will make the funds available to all other new applicants. The reallocated project will submit as a new project and must meet deadlines established locally for new project applications. The new project must meet HUD threshold and be in alignment with the current NOFA. The new project cannot be a continuation of an old project.

**Scoring and Ranking**

The provider will be able to apply through reallocation for their reallocated funds without those funds being included in the available funding to all new applications. Providing minimum threshold and NOFA requirements are met, the project will be scored and ranked against other projects in the project priority listing submitted to HUD using elements listed above under “Mandatory Scoring Elements”.

**When a Project Can Reallocate**

Projects should consider if the changes they wish to make would best be accomplished through requesting a grant amendment. Examples of situations that would best be handled through a grant amendment versus reallocation follow.

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| **Grant Amendment** | **Reallocation** |
| A permanent supportive housing program wishes to shift funds within its existing grant from service costs to rental assistance costs in order to create additional units. | Component changes, such as transitional housing that wants to change to permanent supportive housing. |
| If a transitional housing project wants to reduce the average length of time households are in their programs, they can do so without reallocating. | Major population changes, such as if a project wanted to change from serving families with children to serving individuals experiencing chronic homelessness. |

I**I. PERFORMANCE-BASED REALLOCATION**

Renewal projects scoring low in the below listed areas (*Mandatory Scoring Areas*), not serving an identified community need, found to not meet minimum benchmark scores on performance measures (as determined by the community), not utilizing funding effectively, or not meeting HUD statutory, regulatory, threshold and compliance requirements may be considered eligible for reallocation. As part of the CoC Program Competition, new project applications will be sought from interested, eligible providers. The renewal projects will be rated and compared to new project applications. New project applications may be submitted by the same provider as the project eligible for reallocation as well as any new applicant. New project applications must align with the eligibility requirements published in the HUD Notice of Funding Availability (NOFA) during that funding cycle.

**Mandatory Scoring Areas (Additional Areas of Scoring May Be Considered)**

* Project performance and utilization
* Cost effectiveness
* Current residents of existing project
* HMIS Data Quality
* Expenditure of grant funds
* Organization experience and capacity
* Alignment with current NOFA
* Housing First implementation
* Coordinated Entry use
* System Performance Measures
* Alignment with HUD Notice on Prioritization
* Alignment with HUD CoC regulations and policy priorities
* Does project meet minimum threshold