



# CREATING EFFECTIVE SYSTEMS TO END HOMELESSNESS

A Guide to Reallocating  
Funds in the CoC Program

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## **CREATING EFFECTIVE SYSTEMS TO END HOMELESSNESS: A GUIDE TO REALLOCATING FUNDS IN THE COC PROGRAM**

### **Purpose of the Tool**

This guide provides Continuums of Care (CoCs) and recipients of CoC Program funds with information on reallocation and strategies for undertaking reallocation through the annual CoC Program Competition. This tool can help CoCs:

- Make decisions about when reallocating funds is necessary;
- Understand the different types of reallocation and in what circumstances they are appropriate; and
- Navigate and overcome challenges in the reallocation process.

This tool is not intended to provide technical information or guidance on how to develop an effective application for a reallocated project under a specific CoC Program Competition. It is not specific to any particular competition year. HUD will issue instructions and guidance related to the actual application process and make them available at [www.onecpd.info](http://www.onecpd.info).

### **What's in this tool?**

This tool is divided into five sections:

- [Section 1](#) provides general information on what reallocation means and under what circumstances CoCs should consider reallocating CoC Program funds.
- [Section 2](#) discusses how to make decisions about which projects should be reallocated, and includes information on the strategic planning and project assessments that can guide these decisions.
- [Section 3](#) discusses reallocations at a project- and grant-level, explaining the different types of reallocations along with illustrative examples. This section also discusses some of the unique challenges associated with 'one-to-one same provider' reallocations, sometimes referred to as 'conversions'.
- [Section 4](#) includes case studies of three communities who used reallocations to create more effective systems to end homelessness.
- [Section 5](#) includes a list of useful additional resources around strategic planning, project assessments, and the reallocation process.

## **SECTION 1: UNDERSTANDING REALLOCATIONS**

### **What is Reallocation?**

*Reallocation* refers to the process by which a CoC shifts funds in whole or in part from existing CoC-funded projects that are eligible for renewal to create one or more new projects. CoCs can pursue reallocations through the annual CoC Program Competition. A reallocated project must be a new project that serves new participants and has either a rapid re-housing or permanent supportive housing program design. A new reallocated project may use resources from an existing project, including staff, but it is not simply a continuation of an existing project that serves existing participants.

### **When Should a CoC Reallocate?**

Reallocating funds is one of the most important tools by which CoCs can make strategic improvements to their homelessness system. Through reallocation, CoCs can create new, evidence-informed projects by eliminating projects that are underperforming or are more appropriately funded from other sources. Reallocation is particularly important when new resources are scarce.

Decisions regarding reallocation are best made when guided by an overall strategic plan, in which the CoC assesses existing projects for their performance and effectiveness in ending homelessness. In general, CoCs should direct funding towards projects that:

- a. Serve the highest need individuals or families;
- b. Help project participants obtain permanent housing as rapidly and directly from homelessness as possible;
- c. Ensure long-term housing stability; and
- d. Ensure the best and most cost-effective fit given a community's needs.

CoCs should strive to match their inventory of projects to the needs of people experiencing homelessness within the CoC. For instance, a CoC may find that the majority of existing projects serve lower-barrier households but that they cannot meet the needs of individuals and families experiencing chronic homelessness. Through reallocation, the CoC can correct this imbalance in their inventory to ensure that they have adequate capacity to serve the people experiencing homelessness in their community.

The reallocation process specifically applies to projects funded through HUD's CoC program. However, communities should assess all of the projects in their inventory, regardless of how they are funded, and decide which ones are most needed and which ones should be shifted to other purposes.

### **What types of projects can be reallocated?**

CoCs can reallocate funding from any project eligible for renewal in a competition year. The annual CoC Program Competition Notice of Funding Availability (NOFA) dictates what types of projects may be created through reallocation in a given competition. For example, the FY 2013-FY 2014 CoC Program Competition NOFA limited the types of new projects that could be created through reallocation to:

- a. New permanent supportive housing for people experiencing chronic homelessness; and
- b. Rapid re-housing to serve households with children coming from the streets or an emergency shelter.

### When Can a CoC Reallocate?

Reallocation is one way that CoCs can shift resources; however, CoC-funded projects can make limited changes to their projects without reallocating by receiving a grant amendment. A grant agreement cannot, however, change the entire scope of a project. Here are examples of changes to CoC-funded projects that can and cannot be made through grant amendments.

Can be made through grant amendment	Cannot be made through grant amendment
A permanent supportive program housing wishes to shift funds within its existing grant from services costs to rental assistance costs in order to create additional units	Component changes, such as if a transitional housing project wanted 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

In some cases, a CoC may wish to significantly change an existing project’s model (component) or population, while keeping the same provider organization or building/housing units. Although the CoC may view this simply as changing or converting an existing program, HUD treats this as the creation of a new reallocated project and not a continuation of an existing effort. Funds awarded to a new reallocated project typically cannot serve the same households that were assisted under the former renewal project and the recipient of funds for the new project cannot incur costs until the new grant agreement has been executed by HUD.

### Different types of reallocation

There is no cookie cutter approach to reallocation. Although HUD may limit what types of new projects may be created with reallocated funds, it does not dictate to CoCs what types of renewal projects can be reallocated or how that process should occur.

There are many combinations of funding for projects that can be involved in a reallocation. Examples include:

- Funding from one project (or partial funding from one project) can be reallocated into a new project operated by the same provider;
- Funding from one project (or partial funding from one project) can be reallocated into a new project operated by a different provider;
- Funding from one project (or partial funding from one project) can be reallocated into many new projects;
- Funding from many projects (or partial funding from many projects) can be reallocated into one new project; and
- Funding from many projects (or partial funding from many projects) can be reallocated into many new projects.

The type of reallocations a CoC should pursue in a single competition depends on the CoC’s individual circumstances. While reallocation can be complicated and does not come without risk, it is a necessary part of ensuring that a CoC’s homeless assistance system meets the needs of people experiencing

homelessness. Reallocations can only occur through the annual CoC Program competition. CoCs should not wait to make reallocation decisions only during the competition. Instead, CoCs' decisions regarding what to reallocate should be guided by the CoC's multi-year strategic plan.

## SECTION 2: MAKING DECISIONS ABOUT WHAT TO REALLOCATE THROUGH STRATEGIC PLANNING

CoCs should base decisions about reallocation on a thorough analysis of the needs and gaps in housing and services in their community. CoCs should also be thinking through how best to use the funding sources available to them. They should conduct this analysis on a regular basis. Although the type of projects that can be created through reallocation may change from one CoC Program Competition NOFA to the next, the process will always emphasize a strategic analysis of whether existing projects are meeting the needs of people experiencing homelessness and what new projects are needed. While reallocation in the context of this tool only applies to CoC Program-funded projects, the CoC should take into consideration all housing and services available when doing strategic planning to make decisions that will allow for all funding sources and resources to be used as effectively and efficiently as possible.

Following are some examples of the strategic analysis and planning that are needed to inform reallocation decisions.

### Assessing Need by Population

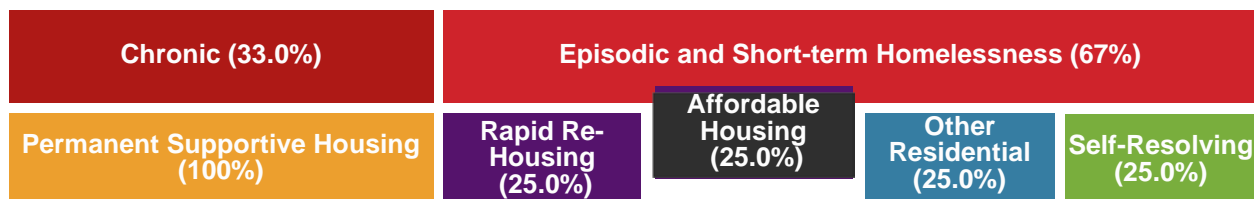
The best way to assess need is to thoroughly review the populations experiencing homelessness and identify the types and amount of interventions needed. The first step is to create a population breakdown showing how many people in various population categories experience homelessness over the course of a year. At a minimum, the breakdown should include the following categories:

- Unaccompanied adults
- Unaccompanied adults experiencing chronic homelessness
- Unaccompanied underage youth (under 18)
- Unaccompanied transition-aged youth (18-24)
- Families with children
- Families with children experiencing chronic homelessness
- Veterans
- People fleeing domestic violence

These categories overlap, which should be taken into consideration when conducting this analysis.

The need for shelter, rapid re-housing, affordable housing, transitional housing, permanent supportive housing, and other affordable housing options should be assessed for each population, although in some cases categories can be combined. At this stage, the analysis should only consider the type of intervention needed by people experiencing homelessness and not eligibility requirements for specific programs, which can be addressed later.

Chart Showing Department of Veterans' Affairs Nature of Homelessness and Interventions Needed to Achieve Permanent Housing



There are several examples of models that communities can draw from to help determine their need for different forms of assistance. For example, to support their effort to end Veteran homelessness by 2015, the Department of Veterans' Affairs (VA) has developed a model (see chart above) assessing need where one third of Veterans experiencing homelessness over the course of a year experience chronic homelessness and the solution for them is permanent supportive housing. The VA has also determined that for the remaining 67 percent of Veterans who experience episodic and short-term homelessness, rapid re-housing, affordable housing, and other residential programs are the appropriate interventions, except in those cases where the Veterans are able to resolve their own homelessness without assistance. While this analysis is specific to Veterans experiencing homelessness and only programs funded through the VA, it is an example of how this type of analysis can help in a strategic-planning process.

The Road Home, a major homeless assistance provider for families experiencing homelessness in Salt Lake City, has conducted a strategic analysis of its programs in order to determine how best to serve these families. Rapid re-housing is the most common intervention, although some households with higher needs and barriers receive longer term assistance, including permanent supportive housing. The key the Road Home's analysis is using data from the CoCs Point-in-Time (PIT) count and HMIS to understand the nature of homelessness within the CoC, and the extent to which each of the populations listed above are represented. CoCs should use this information to determine which types of households it will prioritize for the most intensive interventions and which households will receive limited assistance when there are not enough resources available.

### **Assessing Need by Program Type**

In addition to looking at their homeless populations, CoCs should analyze their stock of housing and services and determine whether they meet the needs of people experiencing homelessness. This analysis will help the CoC to determine where there are gaps and whether there may be too much of a single intervention (e.g., transitional housing). This will help guide the CoC's decisions about whether or not to reallocate and begin the process of identifying which projects to eliminate or reduce. Here are some examples of how to assess whether your community needs more shelter, rapid re-housing, transitional housing, and/or permanent supportive housing.

### **Assessing the Need for Shelter**

The need for shelter depends on several factors, including the average length of homeless episodes. If data shows that people are sleeping unsheltered, shelters are at full capacity, and average stays in shelter are brief (less than 30 days), that almost certainly indicates a need for greater shelter capacity. On the other hand, if people are sleeping unsheltered while there is available shelter capacity, shelter providers should evaluate their shelter policies and conditions within their shelters and make

### **Affordable Housing**

For most individuals and families, homelessness is caused by the gap between their income and the cost of housing in their community. More affordable housing options are needed for people with extremely low-incomes who are experiencing or at risk of homelessness. While affordable housing without services is not an eligible program type under the CoC Program, it is nevertheless a necessary tool for ending homelessness. HUD and USICH encourage CoCs to coordinate with local Public Housing Authorities (PHAs) and owners of housing assisted through HUD's Multifamily programs to increase affordable housing opportunities for people experiencing homelessness. To learn more about strengthening collaboration with PHAs, visit USICH's PHA Guidebook at [http://usich.gov/usich\\_resources/pha\\_portal](http://usich.gov/usich_resources/pha_portal) and <http://portal.hud.gov/hudportal/documents/huddoc?id=pih2013-15.pdf>. For more information on how owners of Multifamily housing can assist people experiencing homelessness, go to <http://portal.hud.gov/hudportal/documents/huddoc?id=13-21hsgn.pdf>.

improvements—not add additional shelter capacity. Finally, when average shelter stays are more than 30 days, it is an indication that other interventions such as rapid re-housing are needed—not additional shelter capacity.

Many people experiencing homelessness do not need any assistance beyond emergency shelter. In many communities, this figure ranges from 10 to 50 percent. This figure can be estimated by looking at the percentage of people who exit homelessness within a very short period of time (e.g., two weeks) without any assistance beyond emergency shelter.

### ***Assessing the Need for Rapid Re-Housing***

Although rapid re-housing is a relatively new intervention, it has become widely recognized as a promising practice for many households experiencing homelessness, particularly those who have less intensive service needs. The primary indicator that a CoC needs more rapid re-housing assistance is if there are a high number of families who do not have significant service needs but who experience homelessness for typically more than 30 days. Although many communities reserve rapid re-housing for households with certain characteristics (e.g. first time experiencing homelessness, people with sufficient income), evidence gathered to date does not support limiting rapid re-housing based on these characteristics. While it can be used to serve both individuals and families, communities that have shown great progress towards reducing homelessness among families have done so by using rapid re-housing for more than half of all families experiencing homelessness served within the community.

### ***Assessing the Need for Transitional Housing***

Transitional housing is funded by a variety of Federal, State, local, and private funding sources and can be implemented in a number of different models, including crisis housing, interim housing, and transition-in-place housing. However, HUD’s transitional housing program generally has served the function of longer-term housing with supportive services that can be provided for up to 24-months. While many people who have been assisted in long-term transitional housing could be served more efficiently in other program models, there is a case to be made that this model may be appropriate for some people. These include:

- Certain individuals and parents with children struggling with a substance use disorder or in early recovery who desire more intensive support to achieve their recovery goals;
- Survivors of domestic violence or other forms of severe trauma who feel unsafe or unprepared to live on their own in the community; and
- Underage and transition-age (16-24) unaccompanied youth (including pregnant and parenting youth) who feel unprepared or are legally unable to live independently.

### ***Assessing the Need for Permanent Supportive Housing***

Permanent supportive housing is generally most appropriate for people experiencing chronic homelessness and those who are most at risk of becoming chronically homeless without this level of support (i.e. people with disabling or chronic conditions who need long-term services and supports to achieve housing stability). The need for permanent supportive housing should be assessed separately for unaccompanied individuals and families. If existing permanent supportive housing exclusively or mostly serves people who experienced chronic homelessness and if there are still many people experiencing chronic homelessness within the CoC, there is a need for more permanent supportive housing. If the existing permanent supportive housing programs are not serving people who have experienced chronic homelessness, CoCs should adopt a policy that prioritizes people experiencing chronic homelessness in permanent supportive housing units that turnover. If the number of people experiencing chronic homelessness or at risk of becoming chronically homeless has been reduced in the community, this may indicate a lower need for permanent supportive housing.



More information about prioritizing people for permanent supportive housing can be found in HUD's [chronic homelessness prioritization notice](#).

### **Performance and Outcome Analysis**

Another factor to consider is the performance of existing programs and their contribution to meeting your community's goals. The process for doing so involves establishing outcome measures for homelessness programs that are connected to the community's overall goals. These outcome measures should allow for cross-program comparisons. The following are a few examples of helpful outcome measures:

- The average length of time between when program participants enter the program and when they move into permanent housing;
- The percentage of program participants who are in permanent housing when they exit the program;
- The percentage of program participants who have a subsequent episode of homelessness after moving to permanent housing within 6 months;
- The average level of barriers to housing for people served by the program; and
- The average cost of the program per positive outcome (i.e. permanent housing placement).

HUD has recently published *[System Performance Measures: An Introductory Guide](#)*, which provides more information about performance measures.

These performance measures allow for cross- program comparisons to determine what programs achieve the best outcomes. For example, a transitional housing program could be compared to other transitional housing programs or to rapid re-housing programs to determine which program results in better outcomes for families experiencing homelessness. Furthermore, each of these measures is directly related to the goal of ending homelessness.

The steps for completing a performance and outcome analysis in your community are as follows:

- Set a few high priority community goals;
- Craft specific measurable outcomes to assess an individual program's contribution to those goals similar to the ones shown above;
- Ensure that the outcome measures account for the level of barriers faced by households to prevent incentives for screening people out of programs. This can be done by creating separate measures related to barrier levels or by embedding barrier levels in each measure (e.g. the percentage of program participants with high barriers to housing who are in permanent housing when they exit the program); and
- Create a process to regularly measure these outcomes through your HMIS (except for domestic violence providers who may use a different data system).

### **Assessing the Impact of Reallocation**

One challenging aspect of reallocation is assessing its impact on overall community performance. How will redirecting resources from one type of program to another affect outcomes? The Performance Improvement Calculator (<http://www.endhomelessness.org/library/entry/performance-improvement-calculator>) is a tool that helps model changes made through reallocation. For example, it can help you assess the change in the number of households your homelessness assistance programs would house by reallocating from transitional housing to rapid re-housing.

## Creating a spending plan

After a CoC has analyzed its populations, programs, and performance, the next step is to create a spending plan to map out a course for future funding decisions. A five year spending plan can help your community's providers, funders, and key stakeholders prepare for resource changes, such as funding reductions, reallocation

opportunities, or new funding sources like the Affordable Care Act.

A spending plan should be guided by the analysis described above and an overall vision for the community's homeless assistance efforts. For example, if the community's goal is to ensure that no person experiences homelessness for more than 30 days, the spending plan would likely involve reallocating from longer term shelter and transitional housing programs to shorter term shelter, rapid re-housing, and permanent supportive housing.

Strategies	Total	New Funding	Reallocated Funding	Reduced Funding	New Annual Spending
<b>TOTAL</b>	\$2,645,000	\$230,000	\$0	-\$10,000	\$2,865,000
<b>Temporary Housing</b>					
Emergency Shelter *1	\$320,000	\$50,000	\$0	-\$10,000	\$360,000
Motels or motel vouchers	\$100,000	\$50,000			\$150,000
Overflow/Seasonal Shelter	\$0				\$0
Year-Round Shelter	\$220,000			-\$10,000	\$210,000
<b>Transitional Housing *2</b>	\$850,000	\$0	-\$100,000	\$0	\$750,000
Site-Based Programs	\$150,000				\$150,000
Scattered-site Transition in Place (TIP)	\$0				\$0
Scattered-Site (not TIP)	\$700,000		-\$100,000		\$600,000
<b>Permanent Housing</b>					
Permanent Supportive Housing	\$1,000,000				\$1,000,000
Rapid Re-Housing	\$100,000	\$100,000	\$100,000		\$300,000
Homelessness Prevention	\$0		\$25,000		\$25,000
<b>Services</b>					
Employment	\$200,000				\$200,000
Outreach	\$75,000		-\$25,000		\$50,000
Child Care	\$0	\$50,000			\$50,000
Health/Medical/Clinic	\$0				\$0
Substance Use Treatment/Services	\$0				\$0
Mental Health Treatment/Services	\$0				\$0
<b>Oversight</b>					
Data/HMIS	\$50,000				\$50,000
Coordinated Assessment	\$0	\$30,000			\$30,000
Coordination/Planning	\$50,000				\$50,000
<b>Other</b>	\$0				\$0

A spending plan begins with an inventory of current programs and the amount of resources dedicated to each type of program. The chart on the right is an example of a spending plan for a fictional community. It shows how funding is currently distributed among homelessness interventions. It also shows the community's plans for utilizing new funding, how it plans to reallocate funding, and where it will lose funding.

A template and instructions for a spending plan, created by the National Alliance to End Homelessness, can be found here: <http://www.endhomelessness.org/library/entry/the-continuum-of-care-spending-plan-template>.

## Discussing Next Steps

Once the CoC has engaged in strategic planning to determine what programs should be reallocated and to what extent, it is important that follow-up planning occurs with those programs being reduced or eliminated through reallocation. CoCs can refer programs being reduced or eliminated to the *Services in the CoC Program: Assessing Value and Finding Funding Alternatives* tool, which can be used to identify other funding sources for the supportive services that traditionally accompany HUD programs. This tool can also be found at [http://usich.gov/usich\\_resources/coc-services](http://usich.gov/usich_resources/coc-services).

### **SECTION 3: REALLOCATIONS AT THE PROJECT OR GRANTEE LEVEL**

Once HUD has published its annual CoC Program Competition NOFA including what types of reallocations will be permitted in a given competition year, a CoC must determine whether they want to reallocate. For example, if the CoC's long term reallocation plan was that they need to create more permanent supportive housing for people experiencing chronic homelessness and this is one of the options in the NOFA, then the CoC should proceed with reallocating that year. The process of requesting a new reallocated project starts with the application, rating, and ranking process. It also involves deciding what to do with the project from which funds are being reallocated, particularly when that project offers site-based housing.

#### **Preparing Project-Level Applications through Reallocations**

All new reallocated projects are considered to be new projects by HUD. They can be for a brand new effort or an expansion of existing efforts. A new reallocated project may utilize the resources such as staff or buildings from a previous project. No matter the situation, a new project application is required to be submitted and ranked in *e-snaps*.

Completing a project-level application for any new reallocated project is not different from an application for any new project. Applicants must be eligible and project applications must meet the applicable NOFA's project quality standards and criteria for the particular project type (e.g. rapid re-housing or permanent supportive housing). Applicants must carefully review the NOFA to determine what types of new reallocated projects are allowed and what populations are eligible. Where an applicant is planning to change the program design of an existing project and keep some of the aspects the same, there are some key points that the applicant and CoC must be aware of. First, from HUD's perspective, it is still a new project and must meet all of the same criteria as any other new project application. If awarded, funds from the new reallocated project cannot pay to continue efforts under the old grant agreement and, in most cases, the participants in the existing project will not be eligible to be served under the new grant agreement. The applicant must also carefully consider what types of changes are needed to the existing program design in order to create a successful new reallocated project. This is particularly important for transitional housing projects that offer site-based or shared housing where participants currently do not have their own bedroom or where housing is not intended to be long-term or permanent. This type of housing, as is, may not be the most appropriate model of housing for permanent supportive housing, for example, and HUD will consider this when reviewing the project application. We discuss this further below.

It is also very important for recipients of projects that are being reallocated (who will also be the applicant for the new reallocated project) to understand that HUD will not consider the new reallocated project as a continuation of any effort. The new project will not be able to begin operating and incurring costs until after the grant agreement has been executed. It will not be made retroactive to the expiration of the former renewal project.

#### **Continuing or Discontinuing Projects from which Funding has been Reallocated**

When making decisions about which renewal projects to reallocate, the CoC and the recipient will need to determine if the existing project will cease operating altogether, whether some aspects of the existing renewal project will be able to continue under the new reallocated project (e.g., staffing), or if the project should remain the same but that the funding source will simply change.

CoCs can use the strategic assessment and planning process described in Section 2 to make these decisions. At a basic level, the decision on whether to discontinue this program or identify other sources of funding for the program should be based on the CoC's determination about whether that project or

program is contributing to its goal of ending homelessness. Specifically, the CoC can ask the question of whether the program is contributing significantly to reaching the highest need people experiencing homelessness, helping them to obtain and maintain permanent housing, and if the program is contributing to system performance measures. If the project is not directly or significantly contributing to this outcome, the CoC may consider discontinuing the project being reallocated altogether.

In some instances, a CoC may determine that certain aspects of an existing project may be able to continue under the new reallocated project, such as staffing or certain supportive services that are offered. In these cases, the CoC should work with the recipient of the renewal project and help them identify both a transition plan for current project participants and how the project will bridge the gap between when the renewal grant expires and when the new reallocated project will begin.

The CoC may also decide to reallocate funds from an existing renewal project if funds from another source have been identified to pay for those same activities. Part of the reallocation decision-making process should be considering all funding sources and determining if there are some costs and activities that could be paid outside of the CoC Program. There are many Federal, State, and local funding streams that can pay for housing and services for people experiencing homelessness. For supportive services costs in particular, CoCs are encouraged to utilize the USICH Services in the CoC Program: Assessing Value and Finding Funding Alternatives tool, which contains information on alternative Federal funding possibilities for supportive services costs currently paid for under the CoC Program.

### **Ranking and Reviewing Reallocated Projects**

The CoC must review each project that is submitted for funding to ensure that it meets all NOFA requirements. It should make sure that the housing being offered will be appropriate, that the project applicant plans to serve all eligible households (and understand what those eligibility criteria will be) and that the budget does not contain any requests for ineligible costs. If a new reallocated project is not funded because the application did not meet HUD's requirements, the CoC will lose those funds, which are part of its Annual Renewal Demand, permanently.

### **Reallocating Site-Based Transitional Housing**

#### ***Reallocating from Site-Based Transitional Housing to Permanent Supportive Housing***

When the decision has been made to reallocate funds from an existing site-based project, the CoC must determine if the project ever received funds for new construction, acquisition, or rehabilitation. If the answer is yes, then there is likely a restrictive covenant in place that limits what can be done with that property for a specified period of time. Even where no HUD funds were used for capital costs, there may be State or local funds that were used for that purpose and as such there may be restrictions from the State or local government that limit how the property can be used. In some cases, the CoC or recipient may find an alternative use for the property that meets the requirements of the restrictive covenant and the renewable funds from that project are reallocated to a brand new effort. However, this is not always feasible and many CoCs find themselves trying to re-use these properties in a new reallocated project. Rapid re-housing funded under the CoC Program may only be tenant-based, so it would be problematic for a CoC to request a new reallocated project where it proposed to use site-based housing. The most common scenario is the conversion of a site-based transitional housing project to a site-based permanent supportive housing project.

There are a number of special issues and considerations that arise when attempting to use the existing site for the new reallocated project:

- Ensuring compliance with building covenants

The CoC and recipients must ensure that they understand and are compliant with any and all applicable restrictive covenants. Recipients of CoC Program funds must honor these covenants when considering new uses for these buildings. CoCs and their grantees should work with their HUD Field Offices and State and local governments to determine how to honor their covenants while considering the most strategic use of their buildings. In most cases, the covenants will allow for a change in the program design, provided that the property will continue to be used for certain purposes. Under the CoC Program, recipients with a restrictive covenant in place may submit a request to HUD to convert a project for the direct benefit of very low-income people.

- Assessing the feasibility and suitability for permanent supportive housing conversion

In some instances, a building used for site-based transitional housing may be suitable to be repurposed for a new permanent supportive housing project. The feasibility of converting a site-based transitional housing program into permanent supportive housing depends on the current configuration of the building and whether this configuration meets (or can meet, with rehabilitation) the needs of the population to be served. Buildings with apartment style housing where participants have their own units will be easier to convert than buildings with a dormitory style configuration which would require substantial reconstruction if the building is to be used in the new permanent supportive housing program. When considering the conversion of the property it is important to keep in mind that permanent supportive housing is fundamentally different from transitional housing in the fact that the housing is intended to function as a person's or household's home, either indefinitely or for a long period of time. Simply removing time limits does not change the nature of the housing being offered and it may not necessarily be appropriate under the permanent supportive housing component.

Where buildings are already designed with self-contained apartments the recipient and CoC still need to consider certain factors to determine if it is suitable for permanent supportive housing. These factors include the overall physical integrity of the building, current zoning, whether the physical layout and design meet housing quality standards and zoning, the neighborhood and proximity to amenities, and common and office space. Considerations for the population should also be made. For instance, a permanent supportive housing project for single adults may not require significant outdoor space, however this would be desirable for a project for families with children.

Where buildings are designed with a dormitory style configuration, repurposing to permanent supportive housing is more challenging and may require rehabilitation. In those instances, recipients of CoC Program funds should determine whether it is feasible to pursue this conversion through a reallocation, given the costs, timing, and logistics of the rehabilitation. Recipients should work closely with the CoC and the local HUD field office. They should also retain architects and local housing development experts to assess whether the building(s) can be repurposed to permanent supportive housing, and to determine whether doing so is financially and practically feasible.

- Assessing the suitability and feasibility of repurposing for other uses

If the building has been determined unsuitable for repurposing to a new permanent supportive housing project, the next step is to determine if there is another use that is still consistent with the restrictive covenant and which would allow the renewable funds to be reallocated to a new project. For example, the building could be converted for use as an emergency shelter, drop-in center, or social enterprise, or as affordable/low-income housing, and more. These other uses should be consistent with the project needs outlined by the CoC's strategic plan. The CoC should consider all funding streams that would allow for this type of conversion to occur.

***It is important to note that the recipient should not take any action without consulting and receiving approval from the local HUD field office.***

- Relocating current residents

Where it has been determined that a site-based transitional housing project is going to be converted through reallocation to a new permanent supportive housing project, it is important to come up with a transition plan for the current program participants. Although it may be possible for people currently in transitional housing to be eligible for permanent supportive housing if they entered that program from the streets, emergency shelter, or safe haven, they would not be eligible for permanent supportive housing dedicated to serve people experiencing chronic homelessness. Therefore, the conversion plan should include a strategy for ensuring that all current program participants are assisted to move into alternate permanent housing in the community during the transition process. Relocation of existing residents becomes even more challenging if the conversion requires a building rehabilitation, in which case the rehabilitation will need to be done in phases as residents move out. Some of the challenges can be mitigated by pursuing a 'phased reallocation' approach (see below).

- Financial management in conversions

The timing of when the competition process starts and CoC Program grants are awarded can make program conversions challenging. This is not only relevant to site-based programs, but is a factor to consider in this type of reallocation. HUD treats the reallocation process as the termination of one grant and the beginning of a new grant. These grants may not end and start on the same timeframe, there may be a gap in funding as an old grant expires, and there may be several months before a new grant agreement is executed. HUD's acceleration of the CoC Program application and award process should minimize or, in many cases, eliminate this challenge; however, it is an important factor for providers to explore. Depending on the circumstances, HUD may allow for the recipient to extend its current grant agreement to help close the gap between the renewal funding expiring and the operating start date of the new project. A provider may also consider asking other funders in the community to cover potential gaps in funding. Many funders, including community foundations and local governments, may be willing and able to fund these one-time expenses. Recipients and CoCs should regularly engage with private funders within the community to explore new funding options during the conversion process to ensure that there will be enough resources during and after the conversion process.

- Staffing

Converting from a transitional housing project to a permanent supportive housing project may involve a change in staffing. Again, this is not only relevant to site-based programs, but is a factor to consider in this type of reallocation. Depending on the staff ratios in the transitional housing program, more staff may need to be hired (and more staff positions funded). Effective permanent supportive housing programs serving people experiencing chronic homelessness typically have tenant to staff ratios of between 8:1 and 12:1. Staff typically is skilled in mental health services, substance abuse services, and health care services. It is not necessary for provider staff to have expertise in all these areas if they can partner with organizations such as community health centers to help meet the needs of program participants.

- Adopting a Housing First approach

One of the most important changes when moving from transitional housing to permanent supportive housing is moving towards adopting a Housing First approach. While a Housing First approach is not required for operating permanent supportive housing under the CoC Program, it is considered by USICH and HUD to be a best practice. Recipients of CoC Program-funded permanent

supportive housing are strongly encouraged to employ a Housing First approach to the maximum extent possible. In the FY 2013-FY 2014 CoC Program Competition, HUD scored CoCs based on the degree to which permanent supportive housing recipients were using a Housing First approach and this will likely continue to be a priority for HUD. Recipients of transitional housing that is being reallocated to permanent supportive housing where they will be the applicant and where staffing will, at least to some extent, remain the same will need to provide training to staff on this approach to ensure that it is implemented correctly. For more information on the Housing First approach, see HUD's *Housing First in Permanent Supportive Housing* brief.

- Board and community support

Another critical part of this process is communicating changes to members of the community and ensuring community support. In many communities transitional housing has become a staple, and not all community members or organizations will understand the reasons for the change. In some cases, the change may impact other organizations within the community which will not be taken lightly. This is often the most time consuming part of the process. CoCs and recipients should strive to be transparent through the process and use data and the findings of the CoCs strategic analysis to help those within the community that are resistant to understand why it is necessary.

- Phasing in reallocations

One challenge associated with converting a building that is currently serving program participants is the timing gap between funding that happens as a result of reallocation. This can at least be partially mitigated by phasing in the reallocation. Phasing in reallocations involves reallocating a portion of a project to be converted over two or more CoC Program competitions. To do so, a grant recipient would pro rate its grant (corresponding to beds or units).

For instance, a grant recipient may apply to reallocate funding for half of the beds of a site-based transitional housing project into permanent supportive housing in one annual competition, and the other half in the following year competition. In this situation, the grant recipient would then have two concurrent grants for the same building—one for the transitional housing project and one for the permanent supportive housing project. It would be necessary for the recipient to keep the grants separate because the funds for transitional housing cannot be used to provide permanent supportive housing and vice versa.

As the reallocated portion of the grant winds down, the grant recipient would relocate transitional housing residents in the reallocated portion of the building before it receives a grant agreement for its permanent supportive housing project. Once it receives its grant agreement from HUD, it would then lease up people experiencing chronic homelessness into its permanent supportive housing beds under its new grant award. The grant recipient can then choose to reallocate the remaining grant and convert the remainder of the building in the next competition.

It is important to note that phasing reallocations does not fully resolve the timing gap in funding between the old and new grants, but can help ensure that there is some continuity of funds in order to maintain building operations and to allow for a more reasonable timeframe for the relocation of current residents.

### **One-to-One Reallocations from a Site-Based Transitional Housing Program**

Special considerations also arise when a CoC decides to pursue a one-to-one reallocation from a site-based transitional housing program (where the entire grant for a transitional housing program is proposed for discontinuation.) Many of these challenges are the same as with a conversion to

permanent supportive housing as described above. However, the decisions to be made focus on identifying alternative uses of the building.

- Identifying alternative uses for the building

In these situations, site-based transitional housing can be assessed for feasibility to be converted to permanent supportive housing or other uses. If the building is assessed as suitable for permanent supportive housing, the CoC has the option of applying for an additional reallocation of funds to fund this permanent supportive housing project, secure non-CoC Program resources, or, if applicable in the competition, apply for funding through the CoC Program permanent supportive housing bonus.

If the building is not suitable for repurposing to permanent supportive housing or if a site-based permanent supportive housing is not needed, the CoC should consider other uses of the building that are consistent with any covenants. These can include an emergency shelter, drop-in center, social enterprise, affordable/low-income housing, or others, as determined by the CoC's strategic plan. These other uses will likely require funding from sources other than the Continuum of Care Program. The CoC could also work with the grant recipient and HUD field office to explore other options like selling the building (if it is owned) or ending the lease. The same issues with tenant relocation and board and community support are applicable.

- Current program participants

In general, the households currently served by a transitional housing program will not be eligible for rapid re-housing. The conversion plan should include a strategy for ensuring that all current program participants are assisted to move into permanent housing in the community during the transition process.

- Evaluating funding sources

Even if a provider is reallocating their CoC funding from transitional housing to rapid re-housing, they may have other, non-CoC resources on which they rely. It is important to communicate with funders and explore new funding options during the conversion process to ensure that there will be enough resources during and after the conversion process.

- Board and community support

Transitional housing providers are typically cherished by many members of their organizations and communities. Throughout the conversion process, the leaders of the provider organizations will have to explain the reasons for the conversion and how it will affect all parties. This is often the most time-consuming part of the conversion process.

- Converting Transition in Place Programs to Rapid Re-Housing

One type of transitional housing program, typically referred to as "Transition in Place" operates very much like rapid re-housing. Transition in Place programs usually involve a provider identifying available apartments in the community, helping households move in (either through a sublease arrangement or with the lease directly in the household's name), providing a temporary subsidy and services for up to 24 months, and then allowing the household to remain in the unit permanently with the household holding the lease. Because these programs are very similar to rapid re-housing programs already, the conversion process is very straightforward.



## SECTION 4: CASE STUDIES ON REALLOCATION

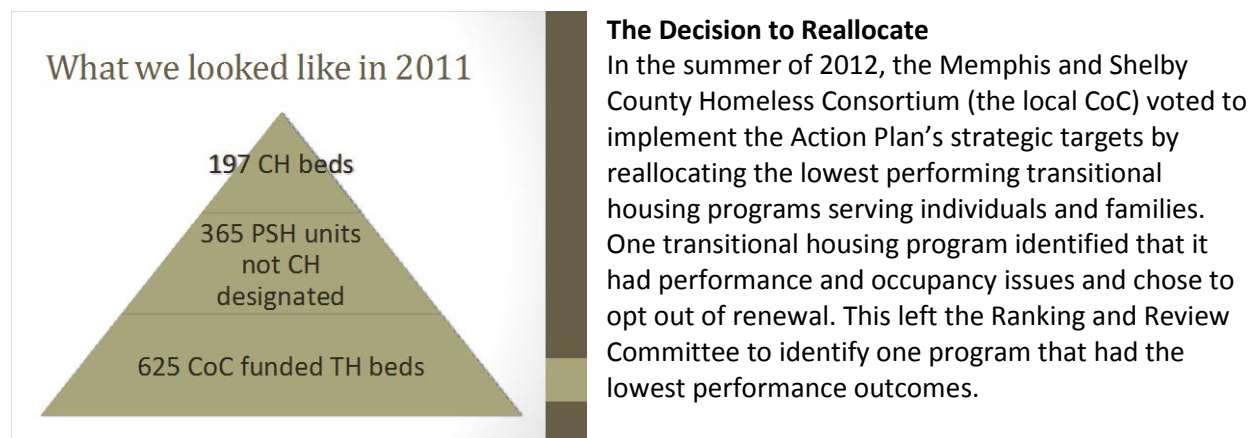
### REALLOCATION IN MEMPHIS AND SHELBY COUNTY

In 2011, the City of Memphis and Shelby County Mayors announced the creation of a strategic plan formed out of analysis of local resources, best practice models, and research on effective interventions. The plan was put together with feedback and input from community stakeholders, review of *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness*, and came to be known as the Action Plan to End Homelessness. At the time, there were 1,187 beds in the CoC, 53 percent of which were transitional housing beds, and only 16.5 percent of which were permanent supportive housing for individuals or families experiencing chronic homelessness. There were 1,365 people served by CoC programs.

#### Strategic Approach

The Action Plan to End Homelessness contains 18 strategic elements, including the reprogramming of existing resources to reduce transitional housing by 50 percent and increase permanent supportive housing by 391 units and sustain a successful rapid re-housing demonstration funded with stimulus dollars. The plan also called for targeting permanent housing resources to the most vulnerable by using research-based, validated assessment tools to match people experiencing homelessness with the appropriate interventions.

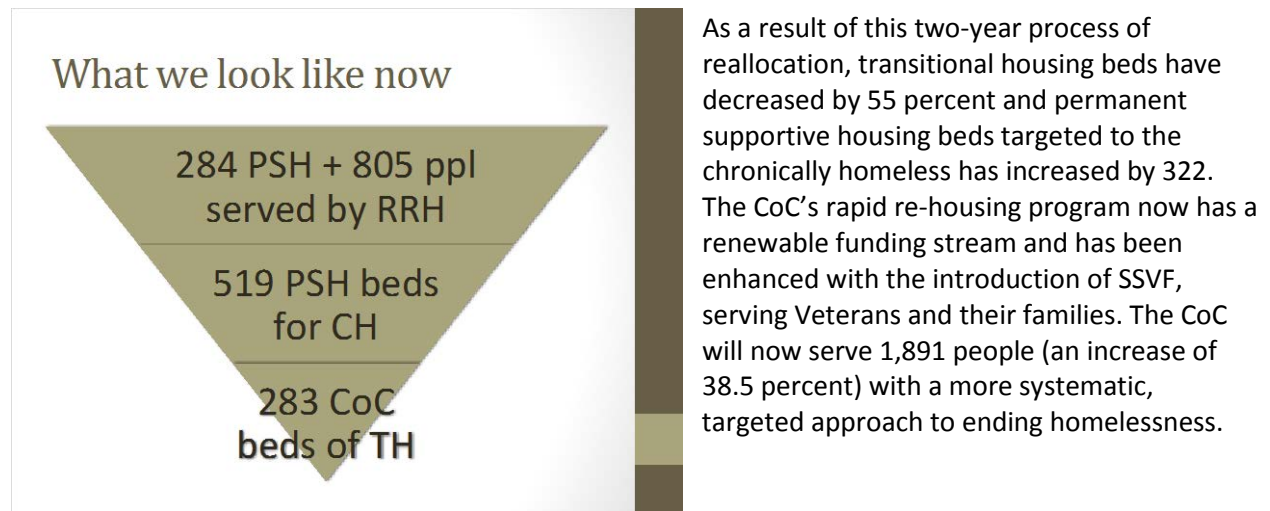
The PIT count held in January of 2012 was considered the baseline count for the Action Plan and found 2,076 people experiencing homelessness, with 265 individuals experiencing chronic homelessness, and 326 people unsheltered.



The approach to performance measurement included HEARTH Act driven measures and was adopted by the community around the same time. Agencies were provided a report card that showed the program's outcomes on each measure, a comparison to community averages, and a measurement of performance against established targets based on the top performance in each category. A site visit was used to verify that the information in the HMIS system matched the information in case files, to review financial management and any audit findings, and to discuss any programmatic or performance issues on a one-on-one basis with agency leadership.

In preparation for the 2013 Consolidated Application, the CoC convened regularly over a six month period to review and adjust the performance measures, refine the Ranking and Review process, and decide on how to address the 5 percent reduction called for by Congress. Ultimately, the CoC voted to place in Tier 2 the lowest performing program. The funding for another lower performing transitional

housing program was reduced. One program, after a roughly two-year process of analyzing its mission and housing programs with its Board of Directors, elected to withdraw its transitional housing program from the competition in hopes of expanding its rapid re-housing program funded with Emergency Shelter Grants (ESG) and private dollars. An open RFP process was held to allocate the funds made available through reallocation.



### Results

The community has already seen the impact of these changes. Contrary to concerns that reducing transitional housing programs would result in an increase in homelessness, Memphis and Shelby County have seen the opposite occur. Homelessness in Memphis is down 19.3 percent in the two-year period. Chronic homelessness is down 44 percent and family homelessness is down by nearly 30 percent.

Reallocation is an effective tool to realign community resources to ensure funds are used to end homelessness, not just sustain programs. These are difficult decisions that require: 1) a strategic framework, developed with the input of local providers, 2) committed community leaders, including philanthropy and elected officials, and 3) annual refinement by and continuous communication among the CoC membership.

## **REALLOCATION IN MERCER COUNTY, NEW JERSEY**

In 2008, Mercer Alliance to End Homelessness convened government partners in a year-long study process. This was accomplished by 1) analyzing research by Dennis Culhane on family shelter utilization, 2) researching best practices around rapid re-housing and 3) looking internally at HMIS data for emergency shelter and transitional housing projects. Finally, after participating in a 2009 HUD rapid re-housing demonstration project, Mercer County examined the three year data trend and identified a significant drop in the number of transitional housing units needed in the community. Comparative data between transitional housing and rapid re-housing showed that those in transitional housing with the highest utilization had the lowest need and did not exit to permanent housing. Moreover, the cost to the current system was more than \$5 million annually.

### **Initial Reallocation from Transitional Housing to Rapid Re-Housing**

In 2010, Mercer County made the decision to reallocate CoC Program funding away from transitional housing. A review of performance data showed that families were spending longer lengths of stay in transitional housing (387 days versus 54 days in rapid re-housing) and had lower rates of exiting to permanent housing compared to rapid re-housing. Mercer County spent a year building community consensus by reviewing, program by program, the needs of the population and the community. This reallocation planning coincided with the establishment of a Rapid Exit program for families experiencing homelessness using TANF dollars to fund rapid re-housing. These two planning processes worked in concert with one another to help redesign a system that would allow Mercer County to successfully reallocate funding for transitional housing with the least amount of disruption and to produce better outcomes. The 2012 CoC application process was used to reallocate funding from transitional housing. The CoC review team, comprised of the CoC lead agency, county administrators, a system monitor, and local project administrators looked at the proposed outcomes identified by the agencies in their application and each program's ability to meet HEARTH/HUD expectations. The team also reviewed both renewals and new projects using this criteria. This process allowed for reallocation from transitional housing to fund a rapid re-housing project with the reallocated funds.

### **Secondary Reallocations through Sequestration**

In preparation for sequestration in the FY 2013 CoC program application, Mercer County recognized the need to make targeted, community focused decisions and build community consensus. The first step was to create a CoC Project Review and Ranking Policy which outlines the review and ranking process. Next, they created a new CoC Project Evaluation Tool to Evaluate Project Performance, Compliance and HMIS Data Quality. After reviewing the tool, further modifications were made to make it more comprehensive by adding in Fiscal Monitoring, CoC Priority Population and Project Capacity sections to the tool.

The CoC Review Committee convened a number of times to review the project information. An initial review indicated two underperforming projects: a permanent supportive housing project and a supportive services only program. The review team felt very strongly that both programs' resources should be reallocated to expand an existing higher performing permanent housing project and made that recommendation to the Executive Committee of the CoC. A team of experts was developed to work closely with both programs to prepare for the transition.

While the reallocation process can be overwhelming at times, with the right planning and tools, communities can successfully change homeless service systems to achieve an end to homelessness.

## **SYSTEM ANALYSIS FOR CREATING A MORE STRATEGIC HOMELESS RESPONSE SYSTEM IN PIERCE COUNTY, WASHINGTON**

CSH created system analysis tools to provide communities with a lens on collective investments and performance to ensure accountability to HUD and other funders, show providers how their accomplishments contribute to system-wide outcomes, and inform continuous improvements. Thoughtful reallocations require both a system-level and project-level analysis to establish a more strategic system design.

One example of CSH's work in system analysis is with Pierce County, Washington. Pierce County has a substantial amount of transitional housing for families and wants to reduce its system-wide lengths of stay, access barriers, and program rules in order to move more families into independent housing faster. Pierce County is working with CSH to use the following system analysis tools to inform its reallocation strategy.

### **Investments Inventory**

First and foremost, effective systems need to know how much they are spending to end homelessness. The Investments Inventory accounts for every public and private capital, operating, and service dollar on a per-project basis to establish system-wide totals and per-unit averages. Pierce County's Investments Inventory showed that the system has a substantial total investment in ending homelessness which, if used more strategically, could serve more families and possibly end family homelessness.

### **Project-level Analysis**

Plans for system re-design should be rooted in a concrete understanding of the suitability of projects to convert. CSH scores each transitional housing project on six indicators of suitability to convert to shelter, higher-performing transitional housing, permanent supportive housing, rapid re-housing, or affordable housing that is prioritized for people who are experiencing homelessness. As a result of this analysis, Pierce County learned that many of its transitional housing projects are suitable to convert to rapid re-housing and that program rules need to be addressed in a new system design that will focus on independent housing.

### **System Map**

The system map provides a visual depiction of the way people move through the homeless system. This is a powerful tool for visualizing who the system serves and its performance at a glance. Pierce County's system map provided the CoC with its first picture of the entire system's performance, which led to important questions that will inform future data entry efforts related to system design.

### **Projection Tool**

A common and critical question asked by many CoCs when considering system redesign is how many units are needed of each intervention. CSH's Projection Tool determines the number of units, beds, or slots needed in each intervention to end homelessness based on the number of people who become homeless annually and the experiences of people who enter the system. Pierce County's projections showed that they have more transitional housing than they need and that significant increases in rapid re-housing with moderate increases in shelter and permanent supportive housing would move more people through the system faster.

**Housing Market Analysis**

Moving people through the homeless system faster and into independent housing will result in a greater demand for affordable and private-market rental units. The Housing Market Analysis evaluates housing stock, rents, and turnover rates in a community to allow CoCs to determine whether there is enough housing to support an increase in rapid re-housing. Pierce County's Housing Market Analysis found that families who were rapidly re-housed would only need two percent of the two-bedroom units and nine percent of the three-bedroom units that turnover annually in the county. The tool also offers a rent-burden calculator that shows rent burdens based upon income levels relative to average rent costs in the private market.

**Conversion Technical Assistance**

Many questions come up during a reallocation process. Technical Assistance can help both funders and providers to ensure that the CoC is moving in a direction supported by HUD and in a way that works for the local community. Pierce County is working closely with CSH to educate funders of homeless housing and services about the move toward a new system design and the need for reallocation. Conversion will also include trainings in best-practices for providers and funders who are shifting to new interventions.

## SECTION 5: ADDITIONAL RESOURCES AND INFORMATION

- [USICH's Blog on HUD's FY 2014 Continuum of Care Program Competition](#)

USICH published a blog on the FY 2014 Continuum of Care Program Competition, which discusses HUD's policy priorities outlined in the combined FY 2013 – FY 2014 CoC Program Competition NOFA. These policy priorities focus on accelerating progress on the goals of *Opening Doors: the Federal Strategic Plan to Prevent and End Homelessness*.

To access this resource, visit <http://usich.gov/blog/building-systems-to-end-to-homelessness-huds-fy-2014-continuum-of-care-prog>.

- [USICH Webinar on HUD's FY2014 Continuum of Care Program Competition: Strategies for Continued Success](#)

This webinar provides an overview of the results of the FY 2013 competition, the unique aspects of the FY 2014 CoC Program funding competition, the permanent supportive housing bonus to serve people experiencing chronic homelessness, and tips for reallocations and prioritization.

To access this resource, visit: [http://usich.gov/media\\_center/videos\\_and\\_webinars/hud-fy2014-coc-program-competition-strategies-for-continued-success-1](http://usich.gov/media_center/videos_and_webinars/hud-fy2014-coc-program-competition-strategies-for-continued-success-1)

- [NOFA Analysis Part 1: Reallocation](#)

The National Alliance to End Homelessness published a series of blogs on the FY 2013 Continuum of Care Competition Notice of Funding Availability (NOFA). Part 1 focused specifically on reallocations through the CoC Competition.

To access this resource, visit <http://www.endhomelessness.org/blog/entry/nofa-analysis-part-1-reallocation#.VC1jLWddWE0>.

- [Community Performance Improvement: Using Reallocation Strategies to Meet System Needs](#)

Communities use performance standards and reallocation strategies to effectively change their homeless service systems. This HUD resource highlights communities that have implemented performance standards and reallocation strategies to ensure that they have the right components to effectively reduce homelessness.

To access this resource, visit [http://b3cdn.net/naeh/e77d83a52b78179501\\_r3m6iy7zr.pdf](http://b3cdn.net/naeh/e77d83a52b78179501_r3m6iy7zr.pdf)

- [Virginia Reallocation, Challenge Grants, and System Design Clinic Webinar](#)

This webinar, which was held for CoC leads in Virginia, discusses how to reallocate CoC funds, the CoC Challenge Grants, and the upcoming Homeless System Design Clinics. The webinar slides are available to view.

To access this resource, visit <http://www.endhomelessness.org/library/entry/virginia-reallocation-challenge-grants-and-system-design-clinic-webinar>.

- [Reallocation in Memphis: A Community's Survival Guide](#)

This is a power point presentation prepared by Community Alliance for the Homeless, Inc. in Memphis, Tennessee, which provides tips and tools for the reallocation process.

To access this resource, visit [http://b.3cdn.net/naeh/368458062743515776\\_6um62zh14.pdf](http://b.3cdn.net/naeh/368458062743515776_6um62zh14.pdf).

- Office of Special Needs Assistance Programs' Presentation on Reallocating Projects

The Community Planning and Development Office of Special Needs Assistance Programs at HUD did a presentation on reallocating projects, describing the reallocation process, how to decide what projects to reallocate, and more.

To access this resource, visit [http://b.3cdn.net/naeh/368458062743515776\\_6um62zh14.pdf](http://b.3cdn.net/naeh/368458062743515776_6um62zh14.pdf).

- Using Reallocation to Support Strategies that Work

This is a PowerPoint presentation prepared by The Homeless Planning Council of Delaware that describes their rationale for reallocating, when to do so, and tips for other communities.

To access this resource, visit [http://b.3cdn.net/naeh/e35fb913f8b8debb2e\\_adm6bk149.pdf](http://b.3cdn.net/naeh/e35fb913f8b8debb2e_adm6bk149.pdf).

- Webinar: Reallocating Continuum of Care Resources

On this webinar, the National Alliance to End Homelessness discussed how CoCs can reallocate resources, including how to review existing projects, identify gaps, and create new projects through reallocation. This webinar is for CoC lead agencies and those considering reallocation, and was originally held for CoCs in Virginia.

To visit this resource, visit <http://www.endhomelessness.org/library/entry/reallocating-continuum-of-care-resources>.

- CSH's System Analysis Work

For more information on CSH's System Analysis work, please contact [consulting@csh.org](mailto:consulting@csh.org).