

The Realignment of HUD Continuum of Care Program Funding: Some Continuums of Care will be Winners and Others Losers

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The U.S. Department of Housing and Urban Development (HUD) has begun to realign its annual Continuum of Care Program competitive funding which is about \$2 billion annually. As a result, some HUD designated continuums of care for homeless assistance¹ will likely see a significant increase in total funding, while others may remain stagnant or likely see significant decreases over the next couple of years. Such was the case in 2015 in California (see Appendix A for table below concerning California Continuums of Care) as a result of HUD's intent to "promote a more competitive process among CoCs" because Congress "directed HUD to make the CoC program more competitive and ensure that lower performing projects were not automatically renewed (www.hudexchange.info/news/snaps-in-focus-fy-2015-coc-program-competition-recap)."

Future funding increases and decreases will hinge on decisions made by continuums of care (CoC) concerning renewal funding for transitional housing programs and "supportive services only projects" that are not aligned with best practices as well as whether future permanent housing bonus applications are aligned with evidence-based and best practices.

One of the more surprising statements that HUD made concerning the results of the 2015 Continuum of Care Program awards was that early estimates noted that

"Funding for transitional housing projects declined by \$155 million to \$171 million. As a result, CoC Program-funded transitional housing will serve approximately 15,000 fewer households than the previous year."

At the same time, HUD wrote that early estimates also noted that

"Funding for permanent supportive housing projects increased by approximately \$165 million to \$1.41 billion. Of this, approximately \$115 million represents 7,500 additional permanent supportive housing units, and the rest is a result of increases needed to keep up with rising housing costs;" and

¹ Continuums of care are the planning body responsible for meeting the goals of the continuum of care program as outlined in the Homeless Emergency Assistance and Rapid Transition to Housing: Continuum of Care Interim Rule (see https://www.hudexchange.info/resources/documents/CoCProgramInterimRule_FormattedVersion.pdf).

“Funding for rapid re-housing projects doubled to \$197 million. We estimate that this funding will serve approximately 30,000 more households experiencing homelessness than if there had been no increase.”

In the same report, HUD also stated that

“CoCs had much more at stake, with both the possibility of increased funding for new projects and the risk of losing funding for renewals” and that “communities had to make difficult decisions about which projects to prioritize.”²

Thus, the potential loss of funding for existing projects and the potential gain of funding for new projects will continue to be the primary reasons for the realignment of the annual continuum of care program funding.

Loss of Funding for Existing Projects

The loss of funding for existing projects can happen as a result of a combination of three factors: a) tiering; b) poor performance; and c) cost-effectiveness.

a. Tiering

For the past few years, HUD has required continuums of care to rank funding requests for new and renewal projects in Tier 1 or 2. Projects ranked in Tier 2 are at risk of being defunded.

HUD will continue the Tier 1 and Tier 2 funding process in the FY 2016 CoC Program Competition to “promote a more competitive process among CoCs” as stated on page 35 of the FY 2016 Registration Notice for the CoC Program Competition.

b. Poor Performance

HUD has clearly stated that poor performance will result in projects being “rejected from consideration for funding” as noted on page 33 of the Registration Notice:

“A CoC must consider the need to continue funding for projects expiring in CY 2016. Renewal projects must meet minimum project eligibility, capacity, timeliness, and performance standards identified in this NOFA or they will be rejected from consideration for funding.”

² A copy of the report can be obtained on the following HUD web page: <https://www.hudexchange.info/news/snaps-in-focus-fy-2015-coc-program-competition-recap/>

This is further emphasized on page 28,

“HUD retains the discretion to withhold funding, in whole or part, for any project that has significant capacity issues related to performance, financial management, or other unresolved audit or monitoring findings.”

CoCs are encouraged through the grant application not to submit projects for renewal funding if they have low rates of project participants 1) retaining permanent housing or exiting to permanent housing; 2) increasing earned income; and 3) accessing mainstream resources, including public assistance. CoCs are also encouraged not to submit projects that have high rates of empty beds, unspent grant funds, and that have not adopted a low barrier approach to help potential project participants obtain permanent housing or that have not adopted a housing first approach to help project participants to maintain their housing.³

c. Cost-effectiveness

HUD strongly encourages CoCs to consider whether or not a project is cost-effective before submitting the project for renewal funding. HUD urges CoCs to reallocate projects that are not cost-effective often citing transitional housing projects that serve families as an example. According to HUD, research has shown that transitional housing for families is too costly and serves fewer families than Rapid Rehousing,⁴ which is considered a best practice. As a result, CoCs should seriously consider reallocating transitional housing projects that serve families to rapid rehousing projects that serve families.

HUD states on page 3 in the 2016 Registration Notice that

“CoCs may use the reallocation process as stated in Section II.A.2.i of this Notice to create: new permanent supportive housing projects that serve chronically homeless individuals and families, including unaccompanied youth; new rapid rehousing projects for homeless individuals and families, including unaccompanied youth, coming directly from the streets or emergency shelter, or persons fleeing domestic violence situations and other persons meeting the criteria of paragraph (4) of the definition of homelessness; new projects for

³ Page 21 of the 2016 CoC Program Registration noted Housing First as Housing First approach to remove barriers to housing, remove service participation requirements or preconditions to program participation, and prioritize rapid placement and stabilization in permanent housing. Also see, https://www.usich.gov/resources/uploads/asset_library/Housing_First_Checklist_FINAL.pdf.

⁴ Page 10 of the Notice of Funding Availability for the 2015 Continuum of Care Program Competition stated that rapid re-housing is designed to assist homeless individuals and families, with or without disabilities, to move as quickly as possible into permanent housing and achieve stability in that housing. Rapid re-housing assistance is time-limited, individualized, and flexible, and should complement and enhance homeless system performance. HUD encourages CoCs to use reallocation to create new rapid re-housing projects for families.

dedicated HMIS; or new Supportive Services Only (SSO) projects for centralized or coordinated assessment systems.”

Gain of funding for new projects

CoCs can gain or increase their total funding by applying for new projects through the Permanent Housing Bonus as noted on page 35 of the 2016 Registration Notice:

“HUD will continue the Permanent Housing Bonus. All CoCs may create new projects through the permanent housing bonus up to 15 percent of the CoC’s FPRN for the following types of new projects for those CoCs that meet the criteria provided in V.4. of this Notice and additional criteria provided in the FY 2016 CoC Program Competition NOFA:

- a. New permanent supportive housing projects that will serve 100 percent chronically homeless families and individuals including youth experiencing chronic homelessness; and
- b. New rapid rehousing projects that will serve homeless individuals and families, including youth, coming directly from the streets or emergency shelters, or fleeing domestic violence situations and other persons meeting the criteria of paragraph (4) of the definition of homeless.”

In summary, future allocation of HUD CoC funding will primarily be the result of CoC decisions to submit renewal applications or not that align with best and evidence-based practices. Transitional housing and supportive services only projects will likely be defunded if they are placed in Tier 2, if they are performing poorly, or if they are not cost-effective. In fact, a few years ago, HUD awarded two points in the CoC application process if supportive services only projects were placed in Tier 2, which at the time strongly encouraged reallocation instead.

It is important to note that low performing permanent supportive housing projects and rapid rehousing projects placed in Tier 2 could also be defunded if not reallocated. This year, many CoCs may not have enough transitional housing and supportive services only projects to place in Tier 2 before considering reallocation or risk losing them. If the total amount of transitional housing and supportive services only projects do not equal the amount of funds required by HUD to be placed in Tier 2, which was 15% of the CoCs final pro rata need in 2015,⁵ permanent

⁵ Page 22 of the Notice of Funding Availability for the 2015 Continuum of Care Program Competition stated that Tier 1 is equal to 85 percent of the CoC’s FY 2015 ARD (annual renewal demand) approved during the FY 2015 CoC Registration process. Tier 2 is the difference between Tier 1 and the CoC’s ARD. The percentage for 2016 has not yet been publically announced by HUD.

supportive housing and rapid rehousing projects will likely be placed in Tier 2. If they are low performing they could be defunded if not reallocated.

The realignment of HUD CoC funding will also happen primarily through the permanent housing bonus. CoCs that are awarded bonus funding will see the total amount of their annual CoC funding increase by 15% each year because bonus funding can equal 15% of the CoCs final pro rata need.

Thus, CoCs that are successful in receiving bonus funding this year and next year, and who did not have any renewal projects defunded during the same period of time, will be the big winners. CoCs that do not receive bonus funds and have renewal projects defunded will be the big losers.

Tiering and the permanent housing bonus, as previously noted, is part of the 2016 CoC Program competition and perhaps for at least a couple of more years. If so, in a couple of years a similar table like the one below will reveal the big CoC winners and losers and an expanded table will reveal the biggest winners and losers across the country.

Appendix A: Comparison of California Continuums of Care Awards for 2014 and 2015

Continuum of Care:		CoC Award In 2014	CoC Award in 2015	+/-	
				#	%
CA-500	San Jose/Santa Clara City & County CoC	\$15,896,617	\$20,204,762	\$4,308,145	+27.1
CA-501	San Francisco CoC	\$25,648,425	\$30,968,697	\$5,320,272	+20.7
CA-502	Oakland, Berkeley/Alameda County CoC	\$27,195,702	\$28,980,863	\$1,785,161	+6.6
CA-503	Sacramento City & County CoC	\$18,719,062	\$19,138,664	\$419,602	+2.2
CA-504	Santa Rosa, Petaluma/Sonoma County CoC	\$2,970,948	\$3,087,262	\$116,314	+3.9
CA-505	Richmond/Contra Costa County CoC	\$10,767,490	\$11,104,352	\$336,862	+3.1
CA-506	Salinas/Monterey, San Benito Counties CoC	\$2,121,998	\$1,972,200	(\$149,798)	-7.1
CA-507	Marin County CoC	\$2,880,972	\$3,264,434	\$383,462	+13.3
CA-508	Watsonville/Santa Cruz City & County CoC	\$2,274,747	\$2,261,790	(\$12,957)	-0.6
CA-509	Mendocino County CoC	\$2,077,576	\$1,777,940	(\$299,636)	-14.4
CA-510	Turlock, Modesto/Stanislaus County CoC	\$3,327,972	\$2,963,830	(\$364,142)	-10.9
CA-511	Stockton/San Joaquin County CoC	\$4,543,476	\$4,180,278	(\$363,198)	-8.0
CA-512	Daly City/San Mateo County CoC	\$7,563,895	\$9,455,481	\$1,891,586	+25.0
CA-513	Visalia/Kings, Tulare Counties CoC	\$1,764,900	\$1,923,277	\$158,377	+9.0
CA-514	Fresno City & County/Madera County CoC	\$7,682,593	\$8,737,368	\$1,054,775	+13.7
CA-515	Roseville, Rocklin/Placer, Nevada Counties	\$1,081,122	\$1,256,067	\$174,945	+16.2
CA-516	Redding/Shasta County CoC	\$373,349	\$317,347	(\$56,002)	-15.0
CA-517	Napa City & County CoC	\$609,318	\$712,708	\$103,390	+17.0
CA-518	Vallejo/Solano County CoC	\$1,158,800	\$1,254,088	\$95,288	+8.2
CA-519	Chico, Paradise/Butte County CoC	\$578,630	\$531,742	(\$46,888)	-8.1
CA-520	Merced City & County CoC	\$579,193	\$659,165	\$79,972	+1.38
CA-521	Davis, Woodland/Yolo County CoC	\$453,504	\$474,575	\$21,071	+4.6
CA-522	Humboldt County CoC	\$733,348	\$819,897	\$86,549	+11.8
CA-523	Colusa, Glen, Trinity Counties CoC	-	-	-	-
CA-524	Yuba City/Sutter County CoC	\$2,490	\$2,490	\$0	0.0
CA-525	El Dorado County CoC	\$12,419	\$10,556	(\$1,863)	-15.0
CA-526	Tuolumne, Amador, Calaveras, Mariposa Counties CoC	\$314,389	\$313,840	(\$549)	-0.2

CA-527	Tehama County CoC	-	\$5,629	-	-
CA-529	Lake County CoC	-	-	-	-
CA-600	Los Angeles City & County CoC	\$91,956,831	\$99,691,350	\$7,734,519	+8.4
CA-601	San Diego City and County CoC	\$16,170,164	\$17,859,969	\$1,689,805	+10.5
CA-602	Santa Ana, Anaheim/Orange County CoC	\$19,526,012	\$22,025,895	\$2,499,883	+12.8
CA-603	Santa Maria/Santa Barbara County CoC	\$1,448,116	\$1,607,635	\$159,519	+11.0
CA-604	Bakersfield/Kern County CoC	\$3,750,970	\$4,790,096	\$1,039,126	+27.7
CA-606	Long Beach CoC	\$8,167,924	\$6,965,080	(\$1,202,844)	-14.7
CA-607	Pasadena CoC	\$2,876,396	\$3,112,977	\$236,581	+8.2
CA-608	Riverside City & County CoC	\$9,857,934	\$9,289,429	(\$568,505)	-5.8
CA-609	San Bernardino City & County CoC	\$6,962,571	\$9,366,053	\$2,403,482	+34.5
CA-611	Oxnard, San Buenaventura/Ventura County CoC	\$1,896,944	\$1,970,367	\$73,423	+3.9
CA-612	Glendale CoC	\$2,345,056	\$2,319,804	(\$25,252)	-1.1
CA-613	Imperial County CoC	\$205,945	\$191,131	(\$14,814)	-7.2
CA-614	San Luis Obispo County CoC	\$1,075,961	\$935,156	(\$140,805)	-13.1
CA-615	Alpine, Inyo, Mono Counties CoC	-	\$2,862	-	-
	Total for California:	\$307,573,759	\$336,507,106	\$28,933,347	+9.4