

**Long Beach Continuum of Care
Reallocation
Policies and Procedures**



**Department of Health and Human Services
Homeless Services Bureau
CoC Board Approved July 2023 (pending)**

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SUMMARY OF CHANGES

Revision History

CoC Board Approval Date	Version	Revision Description
7/2017	1	First Release
6/2019	2	Revised to include performance evaluation and detailed reallocation process.
9/2021	3	Changed formatting of the document, added language on background, added detail on competitive (performance-based) reallocation and voluntary reallocation, and updated Subcommittee role.
7/2023	4	Added language on competitive (performance-based) reallocation. Added language on performance rating tool, added detail on reallocation standards, voluntary reallocation, spend-down utilization, and chronic underspending.

BACKGROUND

Under the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act), the Department of Housing and Urban Development (HUD) allows Continuums of Care (CoC) to shift funds in whole or part from any existing CoC grant to create a new project within that same grant. Therefore, the Reallocation Policies and Procedures described in this document will serve as a guide for reallocating funding as part of the Long Beach Continuum of Care's (CoC) strategic efforts to optimize resources to permanently house as many individuals and families experiencing or at-risk of experiencing homelessness as possible.

Reallocation is a tool that may be implemented to achieve one or more of the following objectives:

1. To meet the housing needs as identified in a gaps analysis of the Long Beach CoC and Coordinated Entry System
2. To make homelessness in Long Beach rare, non-occurring, and of short duration
3. To enhance CoC system performance by providing high quality, effective housing solutions
4. To align funded programming to be consistent with the HEARTH Act and current HUD policy priorities
5. To contribute to the HUD competitive consolidated application process
6. To strengthen collaboration and service impact within the Long Beach CoC and homeless services system

In 2013, HUD designated the City of Long Beach (City) Department of Health and Human Services (DHHS) as a Unified Funding Agency (UFA), which granted the Homeless Services Bureau additional UFA-specific responsibilities as stated in [24 CFR 578.11](#) of the [CoC Program Interim Rule](#). As such, the Long Beach CoC assists with determining the priority of submitted projects for inclusion in the Collaborative Application to HUD. HUD awards a master grant agreement to the City; whereby, projects administered by an applicant will be formalized in a contract between the City of Long Beach and the eligible applicant agency.

Decisions to reallocate funds shall be transparent, equitable, and data-informed with an emphasis on local needs. Each CoC funded project will be evaluated using a combination of data sources including but not be limited to the: Homeless Management Information System (HMIS); HUD Annual Performance Report (APR); system performance measures; Point-in-Time (PIT) Count, Annual Homeless Assessment Report (AHAR), Housing Inventory Count, and other indicators demonstrating cost effectiveness and service outcomes. Consideration will also be given to the potential impact that competitive (performance-based) reallocation may have on increasing homelessness resulting from a reduction in services caused by reallocation. The CoC intends to make data-informed decisions that align with HUD's goal and priorities for CoC funding, federal strategic plans, and local community needs.

UNIFIED FUNDING AGENCY (UFA)

As a Unified Funding Agency (UFA), the City has unique authorities to administer HUD CoC grants different than a standard Collaborative Applicant. The UFA renewal grant encompasses all renewal projects, which allows the UFA the flexibility to move funds across all projects, regardless of component type, outside of the Notice of Funding Opportunity (NOFO) window period. UFAs can eliminate funding for a single project by moving funds to another project. UFAs must still comply with the obligations of [24 CFR 578.105\(a\)](#), which require a HUD-approved grant agreement amendment for a change of recipient, a shift in a single year of more than 10 percent of the total amount awarded under the grant for one approved eligible activity category to another activity and a permanent change in the subpopulation served by any one project funded under the grant, as well as a permanent proposed reduction in the total number of units funded under the grant.

UFAs may:

1. Shift funds from one existing renewal project to another, regardless of component type; or
2. Eliminate funding for a single project by moving funds to another project within the same HUD grant.

If a UFA implements a reallocation, it must ensure that the replacing projects continue to meet the scope of work originally committed to in the conformed grant agreement. If a budget change results in a significant change to the grant, specifically a reduction in units or change in subpopulations, the UFA may only make this change through a HUD-approved grant amendment. For instance, if a subrecipient originally received funding for 10 beds dedicated to chronically homeless persons, the UFA must continue to meet that obligation after reallocation, unless they pursue a formal grant amendment. Therefore, a UFA may choose to move funds between projects and designate a different subrecipient to carry out the responsibilities originally committed to in the conformed grant agreement without a HUD-approved amendment.

Per [24CFR578.11\(c\)\(4\)](#), prior to making any significant changes requiring a grant agreement amendment or changes that involve eliminating projects, the UFA must obtain approval from the CoC before submitting such an amendment request to HUD for approval. In addition, funds may not be moved between the renewal projects grant and new project grant. Provisions at [24 CFR 578.105\(a\)\(2\)](#), further clarify that:

“...approval of shifting funds between activities...is contingent on the change being necessary to better serve eligible persons within the geographic area and ensuring that the priorities established under the NOFA in which the grant was originally awarded, or the most recent NOFA, are met.”

COMPETITIVE (PERFORMANCE-BASED) REALLOCATION

As a HUD-designated UFA and the Collaborative Applicant for the Long Beach CoC, the City reserves the right to reallocate renewal funding through a competitive process to optimize services and/or address underperforming projects.

It is the Long Beach CoC and UFA's shared responsibility to strategically determine how to best maximize available funding resources to end homelessness within the community, in which reallocation remains a critical tool afforded to UFAs to shift funds from underperforming projects to meet local needs. As part of the UFA's responsibility to monitor each subrecipient's programmatic and financial performance, projects may be deemed as underperforming if they score low in at least one of the following areas:

- **Project Capacity:** Underperforming projects may include those which fail to demonstrate effective use of project capacity. This may be seen through low occupancy rates, untimely expenditures, unresponsiveness, lack of communication, or other issues which significantly impact project operations and performance.
- **Financial Management:** Underperforming projects may include agencies or projects with audit findings for which a response is overdue or unsatisfactory, show a continued misuse of funds, untimely budget revision requests, underutilization of funds, or unsatisfactory cost effectiveness. Projects that have not drawn down any funds in ELOCCS for the past grant term are subject to full reallocation.
- **Performance Outcomes:** Underperforming projects may include agencies who demonstrate poor data quality within HMIS (or comparable database if applicable), unmet performance outcomes from current subcontract, most recent annual performance report or quarterly report, or generally rank low in the project ranking and priority listing process.
- **Lack of Compliance with Local and Federal Project Review and Certification Standards:** Underperforming projects may include those with a history of serving ineligible persons, expending funds on ineligible costs, lack of compliance with Housing First, Trauma-Informed Care, or Harm Reduction principles, or failure to fully integrate in the Coordinated Entry System. Projects not meeting the LB CoC minimum standards to Housing First and Low Barrier Programming as indicated by responses to the annual NOFO renewal application are subject to full reallocation. Any response indicating a project:
 - a. goal is not to move participants into permanent housing as quickly as possible; and/or
 - b. screens out participants for failure to meet HF/LBP entry items; and/or
 - c. terminates participants in violation of HF/LBP; and/or
 - d. does not provide services that are individualized and include participant

choice is considered a project failing to meet these standards.

- **Local Need:** Project may be slated for reallocation when a local need is more effectively met through another project and reallocation might be necessary. Projects will be evaluated annually through the CoC needs assessment to ensure alignment with current Long Beach CoC and HUD priorities.
- **Loss of External Supporting Program Funds:** Projects which are unable to fully meet their scope of work due to loss of ancillary service or match funding and are likely to result in unmet performance outcomes or unspent funds may be slated for reallocation.

VOLUNTARY REALLOCATION

At any time during the operational period, subrecipients are able to voluntarily return their CoC funds should they determine if they will not be able to meet their scope of work, expenditure goals, performance outcomes, or other contractual obligations.

Within the CoC Program NOFO application process, subrecipients are provided the opportunity to self-nominate their renewal projects for reallocation by completing the City's *Certification of Project Renewal form* indicating their intention to receive less or no renewal funding. These same agencies can decide to apply for a new project through the CoC Program New Project Request for Proposals (RFP) process. In addition, with the UFA status, a subrecipient seeking voluntary reallocation can notify the City in writing at any time stating their reasoning for reallocation outside of the NOFO process.

If a subrecipient decides to voluntarily return their funding in part or full, the City will determine how to release the funds to the community via shifting funds towards another existing project or find a new subrecipient through a competitive process. Subrecipients can indicate if they would like to suggest how the released funds can be reallocated; however, the City and Long Beach CoC will develop the formal recommendation to reallocate based on a review of existing projects and local needs. Any recommendation to reduce or reallocate funding during or outside the CoC NOFO renewal process will be evaluated and approved by the CoC Board.

To incentivize funded CoC subrecipients to contribute towards collective efforts to improve systemwide performance, the CoC Board and UFA may provide strong preference to agencies to administer proposed new replacement projects for which they are voluntarily reallocating their funding. This would take place during the NOFO application process.

TYPES OF REALLOCATION

Funding for projects may be reallocated 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 several new projects

CoC Program funds made available through reallocation may be used to create new projects or expand existing ones.

SUBCOMMITTEE

The Long Beach CoC's Policy and Standards Subcommittee (Subcommittee) will serve as the primary body to review and develop recommendations for reallocations under the guidance of this document. The Subcommittee shall convene at least once per year to review the Reallocation Policies and Procedures, make any appropriate revisions, review project performance, and develop recommendations for reallocation if necessary.

City staff will provide the Subcommittee a summary of performance and expenditures for projects considered for reallocation. If any conflict of interest arises within any Subcommittee member, they must recuse from participating in any discussion or deliberation about reallocation that may potentially impact their affiliation's CoC funding.

Any revisions to this document will be reviewed by the Subcommittee and must be approved by a vote of the CoC Board.

The City will ensure that all Subcommittee members are provided training and materials related to reallocation including the:

- HEARTH Act
- CoC Governance Charter and Bylaws
- Reallocation Policies and Procedures
- Ranking and Prioritization Tool for Renewal Projects

REALLOCATION MEETING

Annually during the CoC NOFO application process, the CoC Board shall convene a meeting to review recommendations for reallocation provided by the Policy and Standards Subcommittee and make a formal vote. During the meeting, the Subcommittee Chair will provide the recommendation to the CoC Board and City staff will share information regarding the performance and financial status of the recommended project(s) considered for reallocation. The Board will use gathered information to make reallocation decisions.

PERFORMANCE RATING TOOL

The City will evaluate projects for reallocation utilizing the project ranking and prioritization tool, as approved by the CoC Board. The tool shall be reviewed and updated by the Subcommittee and approved by the CoC Board at least annually.

Reallocation Standards:

- 50 percent of points possible or less -ineligible for renewal, full reallocation
- 51 – 69 percent of points possible–eligible for conditional renewal with acceptance of technical assistance support to improve performance
- 70 percent or more of points possible–eligible for unconditional renewal

Voluntary Reallocation

Projects that meet unconditional renewal standards but are consistently unable to fully expend their budgets may exercise the option to voluntarily reallocate a portion of their grant. Projects must provide a justification that demonstrates the grant reduction will not adversely impact future project performance. If these conditions are met, projects will receive bonus points in the performance evaluation review based upon the following tiered structure:

- 5% (at minimum) = 5 bonus points
- 6% = 6 bonus point
- 7% = 7 bonus points
- 8% = 8 bonus points
- 9% = 9 bonus points
- 10% (or more) = 10 bonus points

Spend-Down and Utilization

a. Projects that demonstrate three consecutive years of underspending at or above 15 percent of the total annual grant amount and underutilization (bed/unit/slot) at or above 15 percent annually are subject to partial reallocation. The partially reallocated amount will be based upon the lowest amount of unspent funds within the three-year evaluation period.

b. Projects that demonstrate two, but not three, consecutive years of underspending and underutilization at or above 15 percent are exempt and will be identified for technical assistance support. Projects will be subject to partial reallocation the

following year if grant performance does not meet the standards.

Chronic Underspending

a. Projects that demonstrate three consecutive years of underspending by an average of 25 percent or greater will be subject to partial reallocation. The partially reallocated amount will be based upon 40 percent of the lowest remaining balance of unspent funds within the three year evaluation period.

b. Projects that demonstrate underspending to 20 percent or less in the most recently completed grant year, or current partial grant year, are exempt from being reallocated under this section and will be identified for technical assistance support. Current partial grant year is based on the most recent available spending data from HUD.

NOTIFICATION OF PROJECT REALLOCATION

Impacted subrecipients will be notified of the reallocation recommendations to the CoC Board within five (5) business days before the Board meeting. The notification will be sent via email. Upon the Board vote, subrecipients will be notified of the reallocation decision within five (5) business days after the Board meeting. The notification will be sent with a formal notification letter that reallocation has been approved via e-mail.

APPEAL PROCESS

Subrecipients with a project selected for competitive reallocation may appeal the decision in writing to the City within five (5) business days after notification of the decision for reallocation. The written notification should provide documentation supporting continued need for the project in question and an action plan detailing how the project will rectify its issues to meet its contractual, programmatic, and financial obligations before the end of the operational period.

The City will review appeals and provide a final recommendation within thirty (30) business days of receipt of the appeal.