BACKGROUND
The U.S. Department of Housing and Urban Development (HUD) states that one of the primary responsibilities of the Continuum of Care (CoC) is to develop a reallocation process for projects funded with CoC funds.

Reallocating funds is an important tool used by CoCs to make strategic improvements to their homelessness system. Through reallocation, the CoC 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 not available.

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

GUIDING PRINCIPLES
- All funds are for the betterment of the community, not solely the individual agency.
- Through a coordinated system, agencies are able to use their funds in a more effective and efficient way to better support their clients in reaching permanent housing.
- Failing programs shall be recommended for reallocation
- Each year, GKCCEH staff, generally in coordination with a grants committee, will carefully review the HUD NoFA when released, and will use the prioritizations noted within the NoFA to guide prioritization and scoring practices for the CoC. Note: Local community priorities, established using local data, gaps analysis, and/or needs assessments, will be given priority consideration and may take precedence over HUD’s priorities.
RANK & REVIEW
The Rank & Review Committee(s) comprises between 6-16 community members that are not connected with any organizations competing in the NOFA program competition.

- All renewal and new projects are sent to the Rank and Review Committee for review, ranking, and to determine if a project should be considered for reallocation.
- CoC Staff provide technical assistance to the Rank & Review Committee regarding questions that arise and to provide clarification on technical issues as needed.
- The GKCCEH Board of Directors, and CoC Lead Agency, may give instruction to the Rank & Review Committee regarding Community Priority Projects – these projects should be limited and should provide benefit to all persons served within the Continuum of Care.

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

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

REALLOCATION POLICY
1. Types of Reallocation
   a. Voluntary Reallocation (in whole or part)
      i. Currently funded NOFA project applicants interested in voluntarily reallocating shall notify GKCCEH in writing of their intent to reallocate during the Letter of Intent process.
      ii. Voluntary reallocation is an act of permanently surrendering HUD grant funds for part of, or a whole project; these funds are then available for new project applicants or expansion projects to apply for.
      iii. Voluntary reallocation happens when, using local data, an agency determines their project either:
          1. is not meeting local needs,
          2. does not have the capacity to continue the project,
          3. the reduction of the project would better serve the CoC.
iv. As noted by HUD, voluntary reallocation does not guarantee the agency will be chosen to operate a new eligible project utilizing the reallocated funds.

b. Involuntary Reallocation (in whole or part)
   i. GKCCEH will consider involuntary reallocation as appropriate and as necessary per the language in the annual NOFA and/or the results of the annual project monitoring site visit.

   1. Project applicants who do not meet the standards set forth by HUD and the CoC that were documented during the project monitoring will be notified in writing and then required to submit a plan of corrective action and increase project outcomes and/or address concerns prior to the release of the following year’s NOFA.

   2. Projects that do not meet competition threshold or successfully implement their corrective action plan will be subject to involuntary reallocation.

   ii. The lowest 20% of ranked renewal projects will be evaluated by Rank & Review for possible reallocation, in whole or in part. Rank & Review will compare performance outcomes data from the projects application scoresheets, utilizing the following outcomes:

       1. Coordinated Entry Compliance

       2. Permanent Supportive Housing Dedication

       3. Housing First and Low Barrier

       4. Bed Utilization Rate

   If the projects do not meet the local threshold for performance of these metrics, the lowest performing project may be recommended for reallocation in whole or in part. If a project is the only one that serves a specific sub-population, partial reallocation may still be recommended, and the other lowest ranking projects should also be evaluated for reallocation.

   2. Agency Requirements

      a. HUD regulations and local criteria are used to determine recommendations for reallocation, including the following:

         i. Outstanding obligation to HUD that is in arrears or for which a payment schedule has not been agreed upon;

         ii. Audit finding(s) for which a response is overdue or unsatisfactory;

         iii. History of inadequate financial management accounting practices;

         iv. Evidence of untimely expenditures on prior award;

         v. History of other major capacity issues that have significantly impacted the operation of the project and its performance;

         vi. Timeliness in reimbursing sub recipients for eligible costs. HUD will consider a project applicant as meeting this standard if it has drawn down grant funds at least once per month;
vii. History of serving ineligible persons, expending funds on ineligible costs, or failing to expend funds within statutorily established timeframes;
viii. Not meeting the minimum 75% attendance at GKCCEH monthly membership meetings, and not having representation in local committee/work groups;
ix. Non-compliance with HUD or local policies and procedures, to include full cooperation with Coordinated Entry, operating programs with low barriers to entry and employing Housing First best practices;
x. Non-compliance with monitoring findings and technical assistance plans; or
xi. Projects not meeting locally determined performance thresholds, including CoC system performance measures. xii. Performance and/or data quality outcomes will be collected via HMIS data and APRs generated for each project.

**APPLICANT NOTIFICATION:**
Project applicants administering a project that has been recommended for reallocation will receive notification in writing, outside of e-snarps and will include the reasons for the reallocation no later than 15 days before the application deadline, in accordance with HUD’s NOFA policies and procedures.

**APPLICANT APPEALS:**
A local appeals policy for CoC MO 604 is in place as of August 02, 2018, as approved by GKCCEH board.

The Appeals Process with HUD is found at 24 CFR 578.35. Sections 578.35(b)(3), (b)(4), (c)(1), and (d)(2) which authorize HUD to establish requirements for the form and manner for appeals by applicants.