

## Charlotte-Mecklenburg Continuum of Care

### Reallocation Policy

Item	FY22 Edit made	Rationale for edit
2b. Definition of Chronic Underperformance	Added to the definition of chronic underperformance to include when a renewal project does not consistently meet performance benchmarks in the monitoring process	HUD wants communities to be evaluating projects on their overall performance.
4. Projects subject to reallocation	Added that projects that no longer meet HUD or local priorities are subject to reallocation	To ensure projects align with HUD & local needs and priorities to make the most efficient use of funding.
6. Special Reallocation Amount Rules	Added this section to determine how to treat reallocated projects in subsequent grant years.	To avoid projects being penalized twice before having a chance to improve performance.
	FY23 Edit made	
2. Definitions	Changed measurement period for new grants to be years 2 & 3 instead of first 2 years	Projects are not subject to reallocation after its first year of operating so that performance year should not be evaluated for reallocation.
7. Voluntary Reallocation	Removed: "they have been operating for a minimum of 12 months."	Projects that have not operated for a full 12 months can still reallocate all or part of their funding if circumstances have changed that prevent them from utilizing the funding.
7. Voluntary Reallocation	Added: When evaluating projects for reallocation, projects that voluntarily reallocate funds will be evaluated for chronic underspending using the total project amount post-voluntary reallocation.	If projects voluntarily reallocate funds, they have intentionally evaluated the funding needed by the project so should be able to show they can spend that amount before

#### 1. Purpose and Background

The Charlotte-Mecklenburg Continuum of Care (CoC) manages the performance of all CoC projects in the community and reallocates financial resources to improve the CoC's capacity to end homelessness. The CoC encourages new and existing providers to apply for new projects each fiscal year in accordance with identified community priorities, strategies, and resource

gaps. Chronic underspending or underperformance by a project risks recapture of those funds by the federal Department of Housing and Urban Development, making those funds unavailable to the community for use in ending homelessness. Therefore, the CoC has developed this policy to provide rules that govern the process for reallocation.

## **2. Definitions**

- a. **Chronic Underspending.** Chronic underspending occurs when a renewal project that has not already been reallocated fails to expend 90% or more of its grant funds during each of its three most recently closed out grant years prior to the measurement date OR fails to expend 90% or more of its grant funds during each of its second and third completed grant years.
- b. **Chronic Underperformance.** Chronic underperformance occurs when a renewal project fails to serve 90% or more of the projected number of households during each of its three most recently completed grant years prior to the measurement date OR fails to serve 85% or more of the projected number of households during each of its first two completed grant years, per its APR. Chronic underperformance can also occur when a renewal project does not consistently meet performance benchmarks in the monitoring process.
- c. **CoC funding priorities.** HUD & local funding priorities identified in the NOFO and by local community data & gaps analyses.
- d. **Measurement Date.** The measurement date will be the earlier of June 1 of each year or the release date of the Notice of Funding Opportunity (NOFO).
- e. **Collaborative Applicant (CA).** The CA is the organization designated by the CoC to submit the required CoC application for all projects selected for funding, and to apply for CoC planning funds.
- f. **Recipient.** A recipient is an organizational member of the CoC that receives HUD CoC funding for a project directly from HUD.
- g. **Ranking Committee.** A CoC Committee responsible for developing fair and transparent processes and recommending the ranking for projects eligible for funding under the CoC Program and Emergency Solutions Grant Program.

## **3. Effective Date**

This policy is effective as of May 25, 2023

## **4. Projects Subject to Reallocation**

There is no guarantee of on-going CoC funding for any project because HUD wants communities to continually evaluate how best to deploy resources to end homelessness. The annual Notice Of Funding Opportunity (NOFO) is a competitive process, and the CoC Ranking Committee has tools and processes in place to ensure an equitable and transparent review of applications, in accord with community needs and priorities. Renewal projects that are determined to have chronic underspending or underperformance as defined in Section 2. above will be subject to reallocation. Renewal project that do not align with HUD and/or local funding priorities are subject to reallocation. The Collaborative Applicant will notify all projects with chronic underspending and/or underperformance and/or no longer meeting HUD and/or local funding priorities of its intent to reallocate, within 14 business days of the request date. The first year of

a new project will not be included in any calculations related to underspending or underperformance.

#### **5. Reallocation Amount**

If there is chronic underspending, the reallocation amount may be the **greater** of the average underspending for the two most recently completed grant years, or ten percent of the annual project funding. When evaluating consolidated projects for reallocation, the average underspending will include the underspending for the projects that have been consolidated.

If there is chronic underperformance as defined in Section 2. above, but there is no underspending, the Collaborative Applicant, together with the Ranking Committee, may recommend a reallocation amount. History of grant consolidation will be considered when determining a reallocation amount.

If the calculated reallocation amount is less than \$7,500, then no reallocation will be made

#### **6. Special Reallocation Amount Rules:**

- a. A project that has had its grant amount reduced by the CoC's reallocation policy ("Reallocated Project") will not be subject to reallocation the subsequent year. The following year, the project would be subject to reallocation if there is chronic underspending in the 2 most recently closed out grants. The reallocation amount may be the **greater** of the average underspending for the two most recently completed grant years, or ten percent of the annual project funding.
- b. A reallocated project is not eligible to apply for expansion funds until the completion of its first reallocated grant year.

#### **7. Voluntary Reallocation**

Renewal projects that cannot effectively expend all of their funding may choose to relinquish some or all of their funding for the purpose of creating new projects in the community as long as they meet these criteria:

- a. They commit to identify placement for any household that would be displaced as a result of the reallocation.

Interest in a voluntary reallocation should be communicated by the Renewal Project to the Collaborative Applicant as soon as possible to allow the community to plan for new project applications. Projects that voluntarily reallocate funding will be evaluated for chronic underspending utilizing the grant amount after voluntary reallocation.

#### **8. Waiver Request**

A renewal project may request a one-year waiver of the reallocation within 5 business days from the receipt of the reallocation notice under the following circumstances:

- a. The recipient has not been granted a waiver within the last two years, and
- b. The project recipient has a detailed plan in place to fully expend the funds for the current grant year and the drawdown activity for the current grant year can clearly demonstrate

- that the grant will be more than 90% expended. AND/OR
- c. The project recipient has a detailed plan in place to address chronic underperformance as defined above.

The waiver request should be made to the Collaborative Applicant, and should include at a minimum a detailed corrective spending plan and projections of future drawdown activity. The CA, together with the Ranking Committee, will review the waiver request and make a decision within 5 business days of the waiver request.

**9. Conflicts of Interest**

No member of the Ranking Committee who is associated with a project impacted by this policy may participate in deliberations or vote on any reallocation decision.

**10. How Funds are Reallocated**

If a project has its grant amount reduced because of this Policy, the project budget must be adjusted by the recipient prior to the submission of the NOFO application. The reallocated funds are included in the NOFO funding amount available for new or existing projects.

The Notice for Letters of Intent, Notice of Project Process Competition, New Project Application Scorecard and Renewal Project Application Scorecard are posted annually by the Collaborative Applicant at: [www.charmeckcoc.org](http://www.charmeckcoc.org)