



MA Balance of State Continuum of Care

MA-516 Reallocation Policy 2026

Background

The Massachusetts Balance of State Continuum of Care, MA-516, (BoS CoC), is committed to maximizing the resources available to serve those who are homeless to ensure it is rare, brief, and non-recurring. One of the mechanisms for achieving that is through the reallocation process.

Reallocation is a strategy encouraged by HUD to allow a CoC to shift funds in whole or in part from existing CoC-funded projects that are eligible for renewal, to create one or more new projects. Project reallocation may be voluntary, involuntary, or part of a process to transition the existing grant to a more appropriate model.

This policy outlines the approach the BoS CoC will use in implementing reallocation. It will be reviewed annually and updated as needed to be reflective of information in the most recent HUD guidance and Notice of Funding Opportunity (NOFO).

Definition

Per the FY26 NOFO, reallocation is a process CoCs use to shift funds in whole or in 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 be competitively reviewed and ranked based upon how they improve the CoC's system performance and meet project eligibility and quality thresholds established in the applicable NOFO.

CoCs may only reallocate eligible renewal projects including grants that have not previously renewed under the CoC Program.

To create a Transition Grant through the reallocation process, the CoC must wholly eliminate one or more projects and use those funds to create the single, new transition grant. *A Transition Grant creates a new CoC project to transition an eligible renewal project being eliminated through reallocation from one program component to another eligible new component over a 1-year period.*

Standard Process -

Voluntary Reallocation-

In general, a subrecipient may notify the CoC at any time that it would like to reallocate all or part of the project in the next NOFA due to capacity issues, need, an inability to fully expend funds, or other reasons.

If the CoC determines there is continued need for the project, it may explore a change of subrecipient before a full reallocation. This is determined on a case-by-case basis.

Involuntary Reallocation-

The BoS CoC carefully reviews projects in partnership with the subrecipients before determining a partial or full involuntary reallocation is necessary to better serve the needs of those within the BoS geography. Decisions to reallocate funds are evidence-based and are preceded by efforts that may include modifying the project through budget line-item changes, implementing corrective action plans, or reviewing creative solutions with the contract coordinator, monitor, and in some cases, the BoS CoC HUD desk officer.

Involuntary reallocation may occur due to:

- Chronic Underperformance
- Chronic Underspending
- Regulatory non-compliance
- A determination that the project no longer meets the needs of the homeless population served within the BoS CoC geographic area

Chronic Underperformance

The CoC Monitoring Lead works with the CE and HMIS Leads to review vacancy ratios in CoC projects on a monthly basis.

If a leasing project has a vacancy rate of 20% or more, the Monitoring and CE Leads will meet with the project to identify any barriers to 100% utilization, and work to identify solutions.

If a rental assistance project has a vacancy rate of 20% or more, the Monitoring and CE Leads will meet with the project to identify any barriers to 100% utilization, and work to identify solutions.

If the project needs a budget line-item modification, or there are issues with the project design, the Contract Coordinator, Grants Lead, and BoS CoC Lead will be included in discussions to create strategies.

If vacancy rates haven't improved when the annual monitoring is undertaken, it may result in a concern or finding, and the Monitoring Lead will develop a corrective action plan for the subrecipient and work with them over the next year to ensure implementation.



If a project continues to underperform over a 3-year period, it will be subject to partial or full reallocation.

Chronic Underspending

EOHLC staff who manage and monitor CoC contracts and projects review funding expenditures on a regular basis to minimize the need to revert funding to HUD. Any funding reverted specifically under a leasing or rental assistance line is returned to the US Treasury and is completely lost as a resource to serve the most vulnerable households in the CoC.

If a project is identified as a slow spender, (one that is not within 10% of the contract spending projection during a monthly review), the Contract Coordinator and CoC Monitoring Lead will meet with the project to review any challenges the project may be facing. During this meeting, possible solutions will be reviewed, and the project will have an opportunity to put a strategy in place to increase spending.

If spending hasn't improved when the annual monitoring is undertaken, it may result in a concern or finding, and the Monitoring Lead will develop a corrective action plan for the subrecipient and work with them over the next year to ensure implementation.

If a leasing project continues to underspend at a rate of 20% or more over three years, it will be subject to partial or full reallocation.

If a rental assistance project continues to underspend at a rate equal to 1.5 times the FMR of the smallest unit the project funds or more over three years, it will be subject to partial or full reallocation.

Regulatory Non-compliance

Every CoC project is subject to regular monitoring. Should a project be determined during this review to be using funding in a manner that is not in compliance with HUD regulations governing the Continuum of Care program, the CoC Monitoring Lead will work with the project to come into compliance. If it is unable to do so, or if it is determined that there have been actions that were the result of malfeasance or mismanagement, the project may be subject to reallocation. Depending upon the severity of the noncompliance, the Monitoring Lead and CoC Supervisor may consult HUD to ensure the BoS CoC is taking the appropriate actions to protect the CoC as a whole.

Project No Longer Needed

The CoC conducts an annual gaps analysis as well as regular needs assessments. If this process identifies areas of need inadequately served in the CoC, and data and project underspending or underutilization demonstrate project funding could more effectively be used to serve the unmet need, a reallocation may occur. All grants are subject to reallocation should the analysis and assessment indicate that they are no longer required.



Should a project be identified in this process, the Project Evaluation Committee, after review of the gaps analysis and other relevant documentation, may determine that a grant should be reallocated, either partially or in full, even when the subrecipient disagrees. After communication with the subrecipient and upon recommendation of reallocation from the Project Evaluation Committee, the Advisory Board will vote whether to reallocate the project. They will base their decisions on the recommendation of the Project Evaluation Committee and any additional materials the project subrecipient wishes to present. The subrecipient, if they choose, will be able to address the Advisory Board, in advance of a vote. If the project subrecipient is a member of the Advisory Board, they may not participate in this vote as it would be a conflict of interest.

Additional Considerations for FY26 NOFO

There is not a cap on PH, but Tier 1 is limited to 60% and the NOFO indicates more stringent threshold, merit, and risk reviews for renewal projects than in the past. To the greatest extent possible, the BoS CoC will use the reallocation process to preserve PSH units and effective projects.

This policy requires, as a baseline, that all PSH projects will be limited to 79.97% of their annual renewal demand.

This percent may increase as CoC staff review the following issues with individual subrecipients. These challenges could result in additional reallocations but will be evaluated on a case-by-case basis:

- Have sent back 20% or more in the last three years, or 20% or more in FY24
- Have demonstrated they cannot achieve the utilization rate in their FY24 application

In the event subrecipients choose to transition PSH projects to TH voluntarily, the percent of reallocation may become less for all projects. In these scenarios, the amount reallocated can be used by the subrecipient to create one or more TH and/or SSO projects or they can allow the reallocation to go into the pool being used for new projects.

Creating New Projects Using Reallocated Funds

Reallocated funds will be used to create new projects as follows.

Option 1: Targeted Reallocation to Transitional Housing (TH) Project for Subrecipients Who Wish to Submit a New Project with Fund Amount Reallocated

A portion of the funds from the existing award for PSH may be reallocated to create a new Transitional Housing (TH) or Supportive Services Only (SSO) project. This will ensure:

- Provides subrecipients the option to pursue internal transitions from PSH to TH for their current participants



- Allow agencies to move current PH funded staff to TH and maintain some staffing levels
- Will hopefully allow for the continued lease and/or landlord/provider relationships to maintain intact while units transition from PH to TH

Option 2: Reallocated to General Funding Pool for New TH and SSO Projects Chosen from CoC NOFA Response

This will allow the CoC to:

- Fund population specific projects including youth, elders, families, and survivors of DV
- Ensure geographic/regional representation across the CoC
- Reduce duplication of services
- Support innovative models that improve system performance
- Support new projects aligned with HUD policies, priorities, and FY26 NOFO Goals and Objectives

Projects funded using this pool will be selected through a fair and transparent local competition process.

Reallocation Considerations for Subrecipients with More Than One PSH Project –
A subrecipient which has more than one permanent supportive housing (PSH) project can choose to:

- Combine the funds available for their projects after the reduction to fund a stronger project the subrecipient has identified for funding at a greater rate, possibly closing the other project(s).
- Combine the funds available after reduction to retain more units in one project while minimizing the other project(s) but keeping them open.
- Note that the total of the “kept” project cannot exceed the original grant amount.

In these scenarios, the amount reallocated can be used by the subrecipient to create one or more TH and/or SSO projects or they can allow the reallocation to go into the pool being used for new projects.

Involuntary Reallocation

All PSH projects are being reduced 20.03%. This number may decrease per guidance previously referenced in this policy.

YHDP Youth Navigation projects being renewed will be reduced 20.03% and placed in Tier 1. YHDP projects that are new per the Replacement (reallocation for YHDP) process will be placed in Tier 2.

DV CE will be reduced 20.03% and be placed in Tier 1.

The HMIS renewal amount will not reflect the FY25 COLA increase.



CE will straddle Tiers 1 and 2 with 79.97% in Tier 1. The percent in Tier 1 will increase if the final reduction for PSH projects decreases. The renewal amount for CE will not reflect the FY25 COLA increase.

