MA-516 Reallocation Policy

2024

**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-reoccurring. 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 updated annually to be reflective of guidance in the most recent HUD Notice of Funding Opportunity (NOFO).

**Definition per FY23 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 meet the requirements in section I.B.3.a, III.B.4.b.(3) and the project eligibility and project quality thresholds established in sections III.C.5.b. and c. of [the FY23] NOFO.

CoCs may only reallocate eligible renewal projects that HUD previously renewed during a CoC Program competition.

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 [see

section I.B.2.b.(30) of this NOFO]. *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.*

**Process**

*Voluntary Reallocation-*

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 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 quarterly 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 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 quarterly 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, 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.

Project No Longer Needed

The CoC conducts an annual gaps analysis as well as ongoing 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.