

# Northwest Minnesota Continuum of Care Reallocation Policy

The Northwest Minnesota Continuum of Care (CoC) has created this process to guide the CoC in determining if, when and how the CoC should reallocate funds. Reallocating funds is one of the most important tools available to the CoC to make strategic improvements to our homelessness system. Through reallocation, our CoC can create new projects by eliminating projects that are underperforming or are more appropriately funded from other sources.

## **What is Reallocation?**

*Reallocation* refers to the process by which a CoC shifts funds in whole or in part from existing CoC- funded projects that are eligible for renewal to create one or more new projects.

Under the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH), the HUD reallocation process allows Continuums of Care (CoC) to fund new projects by transferring all or part of funds from any existing CoC grant which is eligible for renewal into a new project.

Under HEARTH CoC Regulations and the Notice of Funding Opportunity (NOFO), a reallocation project can be funded if it is an eligible project component listed in the current fiscal Year NOFO and it meets all of HUD's threshold requirements.

## **What types of projects can be reallocated?**

CoCs can reallocate funding from any project eligible for renewal in a competition year. The annual CoC Program Competition Notice of Funding Opportunity (NOFO) dictates what types of projects may be created through reallocation in each competition.

## **Voluntary Reallocation**

- a) CoC grantees may self-nominate to voluntarily reallocate all of part of CoC-funded renewal projects to create new projects. A grantee must do so in accordance with the timeline set by the NW CoC in that year's NOFO application process.
- b) A CoC grantee can choose to voluntarily reallocate all of part of CoC-funded renewal projects so that the CoC can fund projects implemented by other organizations. In

this case the re-allocated funds will be made available through the CoC regional NOFO funding competition.

- c) A CoC may also offer to voluntarily reallocate their CoC funds as part of strategic agency changes and apply for a new project that changes the project budget, project component, service population, or other major changes that are only possible through reallocation. In this case, the organization must complete a new project application by the deadline set by the CoC to be eligible. The following steps will be taken by the CoC to review new project applications that fit this situation:
- 1) The CoC Project Ranking & Review Committee will review the applications and make determinations regarding the acceptance and ranking of the proposed project.
  - 2) If the new project meets HUD's CoC funding priorities, local needs, and is an eligible reallocation project type under the NOFO, the applicant will be given the opportunity to apply to HUD for the new project if the following are true:
    - The new project meets all threshold criteria as outlined in the HUD CoC NOFO and CoC Threshold Criteria;
    - The new project meets HUD CoC funding priorities and local needs;
    - The new project is an eligible reallocation project type under the NOFO;
    - The renewal project is not identified as poor performing and subject to competitive reallocation by the Ranking & Reallocation Committee as outlined in the CoC Reallocation Policy.
  - 3) If the new project does not meet HUD's CoC priorities, local needs, is an ineligible project type, or does not request the full grant amount awarded to the existing project, the funds either in total or in part not covered by the request, will be released by the CoC for funding proposals by other organizations during the CoC NOFO competition.

## Identifying Projects for Reallocation

- a) As part of the application process for renewal projects, applicants are required to supply information so that the CoC can determine if each renewal project will meet the minimum threshold requirements. The minimum threshold requirements are outlined in the Ranking and Scoring Criteria, as identified in the current Fiscal Year NOFO and by the NW CoC Planning & Evaluation Committee and approved by the NW MN CoC Governing Board. Any renewal project that does not meet the CoC threshold criteria to apply for funding is subject to reallocation of all project funds.
- b) The CoC Ranking & Review Committee may make the determination to reallocate some or all of a project's funding for any project that has returned 10% or more of their funding award. The Ranking & Review Committee will review funding information for the last three completed grant terms to identify if there is a pattern of under-expenditure.
- c) In addition, a project may be subject to a reallocation recommendation by the Ranking & Review Committee if any, or all, of the following are true:
  - Has an outstanding obligation to HUD that is in arrears or for which a payment schedule has not been agreed upon;
  - Audit finding(s) for which a response is overdue or unsatisfactory;
  - History of inadequate financial management accounting practices;
  - Evidence of untimely expenditures on prior award;
  - History of other major capacity issues that have significantly affected the operation of the project and its performance;
  - History of serving ineligible program participants, expending funds on ineligible costs, or failing to expend funds within the established timeframes.
- d) If the Ranking and Review Committee determines that a renewal project does not meet minimum threshold requirements, is deemed to be low-performing, and/or is under-spending CoC funding, the Committee may recommend to the CoC Governance Board that some or all of the project's funds be reallocated.

## **NOFO Reallocation Detailed Steps**

- a) Within 7-10 days of the release of the annual NOFO the CoC will publish the CoC timeline and process for accepting renewal or new projects.
- b) Within 10 days of the release of the annual NOFO the CoC will publish an Intent to Apply and Project Application. Applicants will be asked to identify whether they intend to voluntarily reallocate any funds in the annual competition.
- c) At the first CoC meeting following the release of the NOFO the CoC will present and discuss potential projects for voluntary reallocation and potential new projects to seek feedback on system impact. Discussion will include system needs (geographic, population, project type, etc.), gaps, duplication, program performance, potential grant mergers/collaborations and other funding options.
- d) The CoC ranking committee will review projects (NOFO Application, APR, Intent to Apply, Project Threshold, HMIS data quality reports, spending reports, meeting participation, and adherence to deadlines, etc.) and will make recommendations to the CoC Governing Board for reallocation.
- e) The CoC Coordinator will provide the ranking score to each applicant, and proposed funding amount. Projects will be notified if their project is recommended for reallocation, at least 5 days before the CoC Governing Board meeting.
- f) Applicants will have an opportunity to appeal their score, ranking, and/or funding amount prior to approval of the ranking and reallocation recommendations by the CoC Board. (See Appeal Process)
- g) The Ranking and Review Committee will present ranking and reallocation recommendations to the CoC for discussion and vote. Discussion will include system needs, gaps, duplication, program performance, and other funding options. Note that reallocation may occur without consent from the project being reallocated.
- h) The CoC Board will vote on the Ranking and Reallocation Recommendation.
  - a. Any member of the Governing Board whose agency receives funding through the CoC programs shall recuse themselves from the Board deliberation process.
  - b. The CoC Governing Board will make the final decision whether to reject or reduce a renewal application and/or to require a PIP for any agency that

does not meet minimum threshold requirements, is deemed to be low performing, and/or has shown to consistently under-expend funding.

- c. All Governing Board deliberations will be documented in meeting minutes.
  - d. Due to the time constraints involved in grant applications, voting may be handled via conference call, e-mail, or a virtual meeting as permitted in the CoC Governance Charter.
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- i) If any renewal project application is rejected or reduced, the funds that were allocated to that project will be released for a competitive application process.
  - j) The CoC will work with any reallocated-project to assure that a plan is in place preventing anyone from becoming homeless as a direct result of reallocation.

### **Different types of Reallocation**

There is no cookie cutter approach to reallocation. Although HUD may limit what types of new projects may be created with reallocated funds, it does not dictate what types of renewal projects can be reallocated or how that process should occur. Examples include:

- Funding from one project (or partial funding from one project) can be reallocated into a new project operated by the same provider;
- Funding from one project (or partial funding from one project) can be reallocated into a new project operated by a different provider;
- Funding from one project (or partial funding from one project) can be reallocated into many new projects;
- Funding from many projects (or partial funding from many projects) can be reallocated into one new project; and
- Funding from many projects (or partial funding from many projects) can be reallocated into many new projects.

While reallocation can be complicated and does not come without risk, it is a necessary part of ensuring that our CoC's homeless assistance system meets the needs of people experiencing homelessness.