

Philadelphia Continuum of Care (PA-500) FY 2019 Process for Reallocating

To determine how to best use available resources to end homelessness, the City of Philadelphia Office of Homeless Services (OHS), in its role as the Philadelphia Continuum of Care (CoC) Collaborative Applicant, carefully reviewed every project eligible for renewal of CoC Program funding that had a full year of performance and expenditure data. In alignment with HUD's Policy Priorities for the 2019 CoC Program Competition, the Philadelphia CoC made decisions about resource allocation by considering the following items:

1. Review of project impact on system performance, considering factors such as serving priority populations, quality, performance, cost, and adopting the Housing First approach;
2. Review of projects' failure to use a significant proportion of funding awards over a period of years.

In order to establish a "collaborative process for the development of applications and [to] approve the submission of applications in response to a NOFA published by HUD" 24 CFR 578.9(a)(1), the Office of Homeless Services solicited volunteers from the CoC Board and homeless assistance system to create the HUD Alignment Committee, which serves as the Continuum's Ranking and Reallocation Workgroup. No Homeless Service Providers participate in this committee, to avoid conflict of interest. This Committee's mission is to develop a local strategy to ensure that policies, procedures and general direction of Philadelphia's homeless assistance system align with federal requirements and HUD priorities. The Committee is tasked with increasing the Philadelphia community's competitiveness in securing HUD resources and ensuring the strategic allocation of HUD funds, including by:

- Proposing strategies for reallocation of HUD funding and ranking of CoC projects;
- Project-level assessment of performance and system gaps analysis.

In accordance with the methodology recommended by the HUD Alignment Committee (see below), the Philadelphia CoC is reallocating **\$1,428,730** in renewal project funding to create new, higher-performing permanent supportive housing (PSH) projects and rapid re-housing (RRH) projects in the FY2019 HUD CoC Program Competition:

- Underspending and cost effectiveness – renewal grant requests are being reduced by a total of \$913,043, with reductions being made to projects for which more than 5% of grant award was left unused for each of the 3 previously completed grant terms; these projects have demonstrated that their cost effective operations allow them to serve their participants without requiring the full grant award amount.
- Performance – Three of the 4 projects with the lowest scores are being completely reallocated. 1 TH renewal project and 1 PSH renewal project are being rejected/reallocated based on concerns about project performance, including local score. 1 TH renewal project is being voluntarily eliminated and reallocated in order to convert it into a new PSH project.
- PSH project voluntary reallocation – 1 PSH projects is voluntarily foregoing CoC renewal funding,

Communication of Process for Reallocating, Creating New Projects, and Reallocation Approval:

OHS presented information to the community about HUD's Appropriations Act and policy priorities, highlighting the priority that CoCs make funding decisions about resource allocation by considering a comprehensive review of projects. Additionally, it was emphasized that CoCs reallocate renewal funding from lower performing projects to create new, higher performing projects during several occasions. The following is a timeline of these communication opportunities, as well as the CoC's process for reallocation:

January 25, 2019: Philadelphia Local CoC Renewal Competition Pre-Application Workshop

February 20, 2019: FY2019 Local CoC Competition OPENS

February 22, 2019: FY2019 Local CoC Competition Mandatory Provider Briefing

June 17, 2019: HUD Alignment Committee Meeting: Review of 2018 Competition Debrief, Local Funding Criteria for CoC-funded projects

July 18, 2019: HUD Alignment Committee Meeting: Overview of NOFA, Outline of tasks for the rest of the summer, beginning of reallocation strategy discussion

July 22, 2019: HUD CoC Competition Mandatory Briefing for CoC-Funded Providers

July 22, 2019: City of Philadelphia Office of Homeless Services 2019 Request for Proposals (RFP) for New HUD Continuum of Care (CoC) Projects released

July 30, 2019: Optional Pre-Proposal meeting about New Project RFP

August 2, 2019: Deadline to submit questions about New Project RFP

August 5, 2019: Questions and answers posted on City of Philadelphia website's RFP page

August 8, 2019: HUD Alignment Committee Meeting: Finalizing reduction strategy recommendation and beginning development of ranking strategy

August 15, 2019: Notification of proposed reductions sent to providers via email and USPS

August 26 – September 6, 2019: OHS Deputies' conversations with providers about proposed reductions – finalization of reduction amounts

August 27, 2019: Service Provider Commission meeting featuring presentation from HUD Alignment Committee

August 29, 2019: Mandatory New Project Review Panel Meeting for project selection

August 29, 2019: Lived Experience Commission meeting featuring presentation from HUD Alignment Committee

September 10, 2019: CoC Board meeting to consider approval of ranking and reallocation strategy and resulting ranked project listing

By September 13, 2019: Notification of project approval, rejection, reduction, and rank to all service providers

Development of Recommended Methodology for Calculating Grant Reduction Proposals:

As noted above, the HUD Alignment Committee serves the role of a Ranking and Reallocation Workgroup for the Philadelphia Continuum of Care. With analytical support from the Office of Homeless Services, this Committee developed a recommended strategy for reducing CoC renewal funding requests based on patterns of leaving awarded funds unused. The Committee developed its strategy over the course of meetings on June 25, July 18, and August 8, 2019. Discussions centered on how to determine the appropriate proposal for reduction, specifically whether to look at the most recent completed grant term or the grant term with the highest percentage of grant award used. The Committee voted to approve the following recommendations on August 8:

- Projects should be flagged if they have left more than 5% of their grant award unused for all 3 of the 3 most recently completed grant terms.
- Proposed reductions should be based on percent of grant left unused in the most recently completed grant term, without any “cushion” for supporting possible spending increases.

Determination of Amounts of Final Grant Reductions:

In an effort to assist CoCs Communities to better understand financial information about their CoC’s projects, HUD’s Office of Special Needs Assistance Programs (SNAPS) has developed a report based on HUD’s electronic Line of Credit Control System (eLOCCS) information, the CoC Spending Report. This report includes basic information for each CoC Program-funded project from the amount awarded in a CoC Program Competition to the amount expended and drawn from eLOCCS.

The Office of Homeless Services (OHS), as the Collaborative Applicant, used the most recent CoC Spending Report received from HUD, dated March 31, 2019, to review project spending patterns for their 3 most recent grants. Depending on the term of the project’s grant, this could be grants awarded in the 2014, 2015, 2016, or 2017 competition. Following past practice, OHS defined “most recent grants” as the 3 most recent with terms expiring 5/31/19 or earlier. For projects whose grants from the 2017 competition expired earlier than 6/1/19, OHS updated expenditures to reflect recent draw-downs as reported in the Sage HMIS Reporting Repository.

OHS accepted the recommendations of HUD Alignment Committee leadership, flagged projects for which more than 5% of funds were left unused for all three of their 3 most recent grants, and

proposed reducing the flagged projects' total grant amounts to the most recent expenditure, as expressed as a percentage. Proposals for distributing the reduction by budget line item were also based on expenditure by budget line item during the most recently completed grant period. Several projects were exempted from reduction due to major transitions in program operations. Several other reductions were adjusted to account for already-completed grant reductions in recent CoC competitions.

All providers with projects for which the methodology recommended by the HUD Alignment Committee produced proposed reductions received a Notification of Reduction Proposal in writing on August 15. The proposed reductions totaled \$1,378,356.¹

If requested, the Office of Homeless Services Deputy for Policy, Planning, and Performance Management and Deputy for Housing Services followed up with a conversation/meeting about the proposed reduction, providing an opportunity to describe the reason the funds were returned or unspent and the actions that are being taken to ensure full spending with respect to each budget line item, along with documentation that supported the challenge. Following those conversations, the final total reallocated through grant reductions was \$913,043.

¹ One additional reduction of \$23,279 was proposed. In conversation with the provider operating that project about the reduction, it was decided that the grant in question would not be reduced, but instead, their other CoC-funded project, which has had serious operational concerns leading to poor performance, would be completely eliminated. The full project elimination totals \$133,296, which is not included in the total of \$913,043.