

Community Partnership to End Homelessness Act of 2007 Analysis

June 2007

Senator Reed (D-RI), Senator Allard (R-CO), and 11 other Senators introduced the Community Partnership to End Homelessness Act of 2007 (S. 1518) on May 24. The bill would change federal funding of homeless assistance by making it more flexible, particularly in rural communities. It would also expand the amount of homelessness prevention and increase the emphasis on performance and accountability.

The Act would support communities through the life cycle of implementing their ten year plans to end homelessness.

- It would provide incentives to develop solutions that are research tested and cost effective and then phase them out as they are fully implemented.
- It would address the needs of households who are doubled up or living in precarious housing situations by providing prevention and re-housing assistance to prevent them from ever becoming homeless.
- As communities successfully reduce homelessness, the Act allows them to focus more of their resources on homelessness prevention.

This document summarizes the significant features of the Act, describing how homeless assistance would differ from existing practice and how homeless people, providers, and communities would be affected. The summary is followed by a more detailed analysis of the bill's features.

Summary

The Community Partnership to End Homelessness Act of 2007 (CPEHA) would consolidate HUD's Continuum of Care Programs (Supportive Housing Program, Shelter Plus Care, and Moderate Rehabilitation/SRO) into a single Community Homeless Assistance Program.

Communities would apply in much the same way as they do now through the Continuum of Care process. The applying entity, which would be known as a Collaborative Applicant, would take on more responsibility for overseeing homeless assistance programs in its community and, in exchange, would be eligible to receive funding for administrative expenses.

The bill would continue incentives for permanent housing and serving chronically homeless people (adding families to the definition of chronic homelessness), and it would add an incentive to serve homeless families using rapid re-housing programs.

CPEHA includes provisions that increase flexibility and competitiveness of grantees in rural areas. It adds a program that provides homelessness prevention and re-housing assistance for people living doubled-up or in other precarious housing situations. It also creates a flexibility incentive for communities that are making progress at reducing homelessness.

Although there would be some notable changes, the process for applying for funds would be similar to the existing Continuum of Care process.¹ Following are key points about the application process. More detail is included in the analysis below.

- The applying body, which would be called a Collaborative Applicant, would be responsible for monitoring the performance of funded projects and ensure that they follow accepted standards for receiving federal grants.
- The Collaborative Applicant could be designated as a Unified Funding Agency, which means it could receive funding directly from HUD and then distribute it to project sponsors.
- Rather than applying for grants under several programs, there would be a single program called the Community Homeless Assistance Program.
- The Emergency Shelter Grants program would be renamed the Emergency Homelessness Prevention and Shelter Grants program. It would increase flexibility, but would be funded in the same fashion as ESG—funding would continue to go to states and local jurisdictions using the formula that is currently used.
- Rural areas could choose to apply under a special rural section of CPEHA. Under that section, an applicant in a rural area (not necessarily a Collaborative Applicant) could apply directly to HUD for a grant. The selection criteria would be much simpler than for regular applications, particularly with respect to local planning and coordination requirements. Recipients of funds under the rural section would have more flexibility with respect to the eligible population and the uses of funds. Furthermore, applicants under the rural section would be eligible for the same amount of funding as if they applied under the regular process, but their applications would be judged in comparison to other rural areas, which could potentially make them more competitive. (See *Rural Housing Stability Assistance Program* below.)
- Communities that demonstrate that they are significantly reducing homelessness could apply for funding under a special High Performing Communities section. They would be eligible for the same amount of funding, but could use their funds to serve

¹ Providers, advocates, government officials, homeless people, and other interested parties jointly decide on priorities for funding and submit a combined application to HUD. HUD scores the application and determines how much funding the community is eligible for. The determination is based on the quality of the application, the community's pro-rata need, and a few other factors such as the community's renewal burden. HUD then awards funding to the highest priority projects.

a broader population and for a broader set of activities as long as they continue to perform well. (See *Flexibility Incentives for High Performing Communities* below.)

- Collaborative Applicants could apply for funds for homelessness prevention and housing stabilization as part of their collaborative application. Funds could serve people at risk of homelessness, including people who are doubled-up or otherwise living in precarious housing situations. Funds could be used for homelessness prevention or re-housing assistance.

Analysis

Collaborative Applicants

A Collaborative Applicant would be the entity responsible for submitting an application for funding to HUD. It would not necessarily have to be a legal entity, but if it were, it would be eligible to receive funding for administrative costs. The Collaborative Applicants would function much as the existing Continuums of Care do, and it is likely that most Continuum of Care bodies would become Collaborative Applicants.

If there were no Collaborative Applicant in a geographic area, or if the Collaborative Applicant for that area were not performing its duties, HUD could take remedial action, which could include appointing a Collaborative Applicant or allowing organizations to apply for grants directly.

The duties of a Collaborative Applicant would be to

- design a collaborative process to apply for funding, evaluate outcomes, determine compliance, and establish funding priorities;
- participate in the Consolidated Plan;
- ensure participation in Homeless Management Information Systems (HMIS) to collect unduplicated counts of homeless people, analyze patterns of program use, and determine needs.

A Collaborative Applicant could also become a Unified Funding Agency, which would make it the fiduciary agent for the community's homelessness funding. It would receive funding directly from HUD and then distribute it to other agencies to carry out the grants.

A Unified Funding Agency designation could be made either when a Collaborative Applicant successfully applies for that designation or when HUD determines that a Collaborative Applicant has the capacity to perform that function, that it would benefit the community, and that HUD will provide technical assistance to help with the process.

A Collaborative Applicant that is a legal entity could receive 3 percent of the funds awarded to its community for administrative costs. If it were also a Unified Funding Agency, it could receive up to 6 percent of funds for administrative costs.

Community Homeless Assistance Program

CPEHA would combine several HUD programs into one *Community Homeless Assistance Program*. The HUD programs that would be replaced include the Supportive Housing Program, Shelter Plus Care, and Moderate Rehabilitation/SRO. The Safe Havens Demonstration would also be eliminated, although it has not been funded in recent years (Safe Havens are now funded through the Supportive Housing Program). Additionally, the Rural Homelessness Grant Program, which was never funded, would be modified and integrated with the new Community Homeless Assistance Program.

The eligible activities for the Community Homeless Assistance Program would include all of the activities that are currently eligible under the existing Continuum of Care programs. However, because they would all be included in one program, applicants would have more flexibility in how they design programs.

The Community Homeless Assistance Program would allow the following eligible activities:

- Construction of new housing for transitional or permanent housing
- Acquisition or rehabilitation to provide supportive services or transitional or permanent housing
- Leasing property for supportive services or transitional or permanent housing
- Rental assistance to provide transitional or permanent housing, including both project-based and tenant-based assistance
- Operating costs for transitional or permanent housing
- Supportive services with the goal of housing stability for people who are either homeless or who are in permanent housing but were homeless less than 6 months ago
- Re-housing services, including housing search, mediation or outreach to property owners, credit repair, providing security or utility deposits, rental assistance for a final month at a location, assistance with moving costs, or other activities that help homeless people move immediately into housing or would benefit people who have moved into permanent housing in the last 6 months
- For a Collaborative Applicant that is a legal entity, administration and oversight of HMIS
- Operation and participation in HMIS
- For a Collaborative Applicant that is a legal entity, up to 3 percent could be used for administrative costs
- For a Collaborative Applicant that is also a Unified Funding Agency, up to an additional 3 percent for administrative costs (Unified Funding Agencies would be eligible for a total of 6 percent for administrative costs)
- For Project Sponsors, up to 5 percent for administrative costs

The eligible population for the Community Homeless Assistance Program would not change from the eligibility for existing homeless assistance programs. This covers any person who “lacks a fixed, regular, and adequate nighttime residence,” including people living in emergency shelters, hotels paid for with public funds, transitional housing, and places not meant for human habitation. Every homeless person would be eligible for all of the eligible activities. For example, non-disabled homeless individuals and families would be eligible for permanent housing.

There would be two exceptions to the set of eligible activities and eligible populations, both of which would expand the eligible services and eligible populations. One would be a flexibility incentive for high performing communities that achieve certain performance benchmarks (see *Flexibility Incentive for High Performing Communities*) and the other would be for rural areas (see *Rural Housing Stability Assistance Program*).

Selection Criteria

The selection criteria for funding would be based on two things—the pro-rata need and the collaborative application. The pro-rata need would work the same way it works under current practice. That is, each community is assigned an initial pro-rata need amount. The amount is based on the formula for CDBG that represents the geographic area adjusted to ensure that 75 percent goes to metropolitan cities and urban counties that receive Emergency Shelter Grants funding and 25 percent goes to metropolitan cities and urban and non-urban counties that do not receive Emergency Shelter Grants. If a Collaborative Applicant covered more than one jurisdiction, their pro-rata need would be the sum of the pro-rata needs for all of the jurisdictions they represent.

The collaborative application would be scored using the following criteria:

Past performance as measured by

- length of time people remain homeless;
- extent to which people who exit homelessness experience another episode of homelessness;
- thoroughness in reaching all homeless people;
- reductions in the number of homeless people;
- jobs and income growth;
- homelessness prevention.

Plans of the recipient to

- reduce homelessness;
- reduce the length of time people are homeless;
- address all relevant subpopulations, including people with serious mental illness, addiction disorders, HIV/AIDS and other prevalent disabilities, families with children, unaccompanied youth, veterans, and others at risk of becoming homeless;

- incorporate best practices;
- set quantifiable performance measures;
- set timelines;
- identify funding sources;
- identify individuals or entities responsible for implementation;
- review practices related to discharge planning, access to mainstream systems, and zoning and land use;
- reunify families separated because of homelessness;
- incorporate findings of a recent report on VA medical centers.

Other factors include

- the methodology for setting funding priorities;
- the recipients' knowledge of homelessness in the geographic areas and efforts needed to combat it;
- whether projects meet unmet needs;
- leveraging;
- coordination with other entities serving homeless and at risk people;
- the degree to which homeless people access public benefits, including schools and VA services;
- the extent to which the full range of views are considered, including currently and formerly homeless people, community based organizations, advocates, relatives of homeless people, government agencies, education liaisons, businesses, neighborhood advocates, and philanthropy;
- other factors HUD determines are appropriate.

Flexibility Incentive for High Performing Communities

Communities that make progress reducing homelessness could apply for designation as a *High Performing Community*. This designation would give them more flexibility in their eligible activities and in the people they serve in exchange for continued good performance. A community could apply for this flexibility if they meet all of the following benchmarks:

- (1) The mean length of episodes of homelessness is either less than 20 days or has decreased by 10 percent from the year before taking into account similar individual circumstances;
- (2) Of the people who leave homelessness, less than 5 percent become homeless again in the following 2 years or the percentage who leave homelessness and become homeless again in the following two years decreases by 20 percent from the preceding year taking into account similar individual circumstances;

- (3) Homeless people in the geographic area are actively encouraged to participate in homeless assistance services available in the area and every homeless person is included in the data used to determine compliance with this section;
- (4) If the recipient has been designated a high performing community in the past, they used their funding effectively to reduce the number of people who became homeless.

If a community successfully applied for High Performing status, they could use their funding to perform any of the eligible activities under either the Community Homeless Assistance Program or the Prevention and Housing Stability program. They could also serve individuals or families who qualify under either of the two programs, including homeless people or people who are at risk of homelessness, doubled up, or in other unstable housing situations.

The bill would limit the number of communities that could receive the High Performing designation to ten per year for the first two years after CPEHA is enacted. After that, as many communities as meet the criteria could be designated. A High Performing designation would last for one year, but could be renewed annually.

Rural Housing Stability Assistance Program

An applicant in a rural area would have the option of applying for funds under the Rural Housing Stability Assistance Program instead of the Community Homeless Assistance program. The applicant would not have to be a Collaborative Applicant; it could be an individual organization.

Applications for funding under the rural component would be much simpler. The selection criteria would be the following:

- The participation of potential beneficiaries in determining need;
- The degree to which the project addresses the most harmful housing conditions in the community;
- The degree of collaboration with other entities;
- Performance of the organization in improving housing situations;
- For organizations that have previously received funding, the extent to which they improved conditions in the community;
- Pro-rata need;
- Other HUD determined criteria.

Successful applicants could use funding for the same activities as under the Community Homeless Assistance Program as well as for homelessness prevention activities, including minor rehabilitation and payment of back rent, mortgage, or utilities. Funds could be used to serve homeless people or those at risk of becoming homeless, except that permanent housing and transitional housing would only be for people who are

currently homeless. Successful applicants could use up to 20 percent of their grant for capacity building activities.

The option to apply under the Rural Housing Stability Assistance Program would be automatic under CPEHA. It would not require a separate appropriation from Congress like the existing rural program (which has never been funded).

A rural area would be defined as a place that is not in a Metropolitan Statistical Area or a place that is in a Metropolitan Statistical Area but in a rural census tract.

Community Homelessness Prevention and Housing Stability

Under CPEHA, a Collaborative Applicant could apply for funding to prevent homelessness and stabilize the housing of people who live in precarious housing situations. Prevention and stabilization funding could serve people who have incomes below 20 percent of the area median income and who have moved frequently for economic reasons, are doubled up, are about to be evicted or have to leave their current living situation, live in severely overcrowded housing, or otherwise live in an unstable situation that puts them at risk of homelessness. Eligible activities for prevention and stabilization funding would include short or medium term housing assistance, supportive services, and housing location services.

The program would be funded separately from the Community Homeless Assistance Program, but Collaborative Applicants would apply for funding through the same process.

Permanent Housing Renewals

Currently, permanent housing renewals are funded differently depending on the program. For Shelter Plus Care, renewals are funded for one year at a time outside of the Continuum of Care competitive process. Supportive Housing Program - Permanent Housing renewals are funded for 1-3 years as part of the competition. Moderate Rehabilitation/SRO renewals are funded from the same federal account that funds Section 8 assistance.

CPEHA would treat permanent housing renewals the way Moderate Rehabilitation/SRO renewals are currently treated. They would be funded out of the federal account that funds Section 8. They would be funded for one year at a time provided that projects meet minimum standards and are still needed. This treatment would apply to leasing, rental assistance, or operating costs of permanent housing. It would apply to permanent housing renewals that were originally funded under Shelter Plus Care or the Supportive Housing Program - Permanent Housing as well as to permanent housing renewals for the Community Homeless Assistance Program.

Incentives

HUD would be required to provide bonuses or other incentives for proven strategies that reduce homelessness generally or for a specific population. The proven strategies would

initially include permanent supportive housing for chronically homeless individuals and families and rapid re-housing programs for homeless families. HUD could add other strategies based on research and after public comment.

If a community were to fully implement a proven strategy for all homeless people to whom the strategy is targeted, they could receive the bonus or incentive to carry out any other eligible activity under the Community Homeless Assistance Program or the Community Homelessness Prevention and Housing Stability program.

Minimum Amount for Permanent Housing

Thirty percent of funding provided under CPEHA would be for permanent housing for homeless individuals with disabilities and homeless families with an adult member who has a disability. The calculation for the 30 percent figure would not include the following:

- Funding for the Community Homelessness Prevention and Housing Stability;
- Funding for communities that have fully implemented permanent supportive housing for chronically homeless people;
- Funding for permanent housing renewals.

The 30 percent requirement would be suspended if there would not be enough funding to cover renewals of grants for all types of homeless assistance. The requirement would be permanently eliminated once HUD determines that the homeless assistance programs have funded at least 150,000 units of permanent supportive housing for homeless individuals and families with disabilities.

Ten percent of funding provided under CPEHA would be to permanently house families with children regardless of disability status.

Match

Under current practice, there are several match requirements:

- 100 percent cash match for acquisition, rehabilitation, and new construction under the Supportive Housing Program;
- 33 percent cash match for operating costs under the Supportive Housing Program;
- 25 percent cash match for services costs under the Supportive Housing Program;
- Shelter Plus Care funding must be matched dollar for dollar in the aggregate with supportive services. The recipient's match source can be cash or in kind.

Under CPEHA, all match requirements for the Community Homeless Assistance Program and Rural program would be replaced with a universal 25 percent match. The match for the Prevention program would also be 25 percent except when the services are to people who have been residents of an institution funded by state or local government, including prison, jail, child welfare, and hospitals, in which case the match would be 60

percent. Any match could be cash or in-kind. If it is in-kind, it would have to be documented by a memorandum of understanding between the project sponsor and the entity providing the services.

Emergency Shelter

The Emergency Shelter Grants program would be renamed the Emergency Homelessness Prevention and Shelter Grants program. Under current practice, funding for Emergency Shelter Grants is entirely up to HUD. For fiscal year 2007, it was 11 percent. Under CPEHA, HUD would have to provide at least 10 percent, but no more than 15 percent for the Emergency Homelessness Prevention and Shelter Grants program.

Other changes include

- removal of a 10 percent cap on staff costs;
- removal of the 30 percent cap on prevention;
- more flexibility for prevention and other activities.

The new prevention activities would include housing relocation or stabilization services for people at risk of homelessness, housing search, mediation, outreach to property owners, legal services, credit repair, security or utility deposits, short or medium term rental assistance, and assistance with moving costs. Other new activities would include family support services for homeless youth and mental health treatment.

Definition of Chronic Homelessness

The definition of chronic homelessness would add to the current definition families that are headed by a person that otherwise meets the criteria.

To meet the definition of chronic homelessness, an individual or family would have to have the following characteristics:

- Be currently homeless in an emergency shelter or place not meant for human habitation;
- Have been homeless continuously for at least 1 year or 4 times in the past 3 years in an emergency shelter or place not meant for human habitation;
- Have an adult head of household with a disabling condition. Disabling condition means a diagnosable substance use disorder, serious mental illness, developmental disability, or chronic physical illness or disability, including the co-occurrence of two or more of those conditions.

Timing of NOFA, Awards, Agreements, Site Control, Obligation, and Spending

- HUD would have to release the NOFA no more than 3 months after enactment of appropriations.
- Awards would be announced no later than 4 months after applications are due.

- Project sponsors would have to meet all requirements for obligation no later than 9 months after an award is announced (15 months for acquisition, construction, or rehab). HUD could grant a waiver in exceptional circumstances.
- Funds would have to be obligated no later than 45 days after the project sponsor has met those requirements.
- A Unified Funding Agency that received funding would have to distribute funding to project sponsors no later than 45 days after receiving a request for funds from the project sponsor.
- HUD could set a date by which funding must be expended. If it were not expended by that date, HUD would recapture the funds and redistribute them in the same geographic region if possible.

Administrative Costs

Under current practice, project sponsors can use up to 5 percent of Supportive Housing Program funding for administrative costs. For Shelter Plus Care, HUD determines the appropriate level for administrative costs. Continuum of Care oversight bodies are not eligible to receive any funding for administrative costs.

Under CPEHA, the following would apply:

- Collaborative Applicants would be eligible for up to 3 percent of a community's grant for administrative costs or up to 6 percent if they were also a Unified Funding Agency.
- Individual project sponsors would be eligible for up to 5 percent for administrative costs.
- Entities that received funding under the Rural component could use up to 20 percent of their funding for capacity building activities, which include administrative costs.

Technical Assistance

CPEHA would allow HUD to use up to 1 percent of homeless assistance funding for technical assistance to project sponsors or Collaborative Applicants. Over the past several years, Congress has limited the amount of Technical Assistance HUD can provide to a smaller amount.

Funding Levels

HUD's homeless assistance programs received \$1.442 billion in fiscal year 2007. CPEHA would authorize \$1.8 billion for homeless assistance and an additional \$250 million for prevention and housing stabilization for fiscal year 2008. (These would be the funding levels recommended for the programs. Final funding decisions are made through the Appropriations process, which frequently results in less funding than is authorized, and occasionally results in more.)

History of McKinney-Vento Reauthorization

The Stewart B. McKinney Homeless Assistance Act was originally enacted in 1987 and was first funded in fiscal year 1989. The Act originally consisted of several separate programs. HUD programs included Supplemental Assistance for Facilities to Assist the Homeless, Supportive Housing Demonstration Program, Section 8 Moderate Rehabilitation/SRO, and Emergency Shelter Grants. The Act also established the U.S. Interagency Council on Homelessness and created programs within the Department of Health and Human Services, Department of Education, Department of Labor, and Federal Emergency Management Agency.

Since then, several changes have been enacted. The Shelter Plus Care program was added in 1990. Two years later, Safe Havens and the Rural Homelessness Grant program were added (though the rural program was never funded). The Act's name was later changed to the McKinney-Vento Homeless Assistance Act, and many of the programs in the McKinney-Vento Act have since been moved to other parts of the U.S. Code. Since 1994, there have been no major changes made to the HUD programs included in the Act. However, Congress and the Administration have made several changes to the programs through HUD appropriations bills and the NOFA process.

In 1995, HUD developed the Continuum of Care, which created a consolidated funding process for three competitive programs—Supportive Housing Program, Shelter Plus Care, and Moderate Rehabilitation/SRO. In 1999, Congress included a 30 percent set aside for permanent housing in the Appropriations Bill that funds HUD homeless assistance programs. Two years later, Congress provided for non-competitive renewals of Shelter Plus Care grants that ensured that Shelter Plus Care subsidies that met HUD standards and were needed by the community would receive funding.