Metro Nashville CoC Reallocation Policy

Background

"Reallocation" refers to the process by which a CoC shifts funds in whole or in part from an existing CoC-funded project toward one or more new projects.

Reallocating funds is one of the most important tools by which a CoC can make strategic improvements to its homelessness system. Reallocation allows CoCs to create new evidence-informed projects by eliminating projects that are underperforming, no longer meet the community's needs, or are more appropriately funded from other sources. Reallocation is especially crucial when new resources are scarce.

In general, funds should be directed toward projects that:

(a) Serve the highest need individuals or families;
(b) Help participants obtain permanent housing as rapidly and directly as possible;
(c) Ensure longterm housing stability; and
(d) Ensure the best and most cost-effective fit given the community's needs.

A CoC should strive to match its inventory of projects to the needs of the people experiencing homelessness in its geographic area. When appropriate, a CoC should correct any imbalances in inventory to ensure it has adequate capacity to serve its relevant population—whether low-barrier households or individuals and families experiencing chronic homelessness.

There is no cookie cutter approach to reallocation. HUD recognizes that a local community is best positioned to assess its own inventory and to make timely, intentional funding decisions tailored to the needs of its own local homeless population based on the latest available data. Accordingly, HUD affords CoCs great discretion over reallocation, including which projects can or should be reallocated as well as how that process should occur.

This policy is designed to be flexible and to reserve maximum discretion over the reallocation process and reallocation decisions to the Nashville CoC Performance Evaluation Committee (PEC) and the Homelessness Planning Council (HPC) to the extent permitted by HUD and applicable authorities. This policy is subject to periodic review by the PEC.

Reallocation Policy

Project Eligibility

- Funding from one or more projects may be reallocated into one or more new projects operated by the same or different providers.
- However, all reallocated funds will be used to expand permanent housing options. As long as there are still many people experiencing chronic homelessness within the Nashville CoC and permanent supportive housing (PSH) units remain highest priority for the community, funds from an existing PSH program will only be reallocated to new (or expansion) PSH programs.
- A project is eligible for reallocation after it has been renewed once under the CoC Program (projects facing expiration for the first time are not eligible).
- Absent prior approval, any current grantee that is on an active performance improvement plan (PIP), corrective action plan (CAP), or similar plan with the PEC or with OHS/the Collaborative Applicant and related to its administration of CoC funds will not be eligible to compete for new or bonus project funding.

Process

The Metro Nashville Homelessness Planning Council will reallocate funds as needed and appropriate to more effectively resolve homelessness, serve the current local homeless population, help households achieve stable housing, and improve system-wide CoC performance.

Reallocation decisions may be made at any time—not just during a competition. Once made, reallocation decisions will be executed through the actual shifting of funds at the earliest reasonably possible opportunity.

1. Periodically, the PEC, in coordination with other relevant CoC committees, will assess the community's inventory as well as the needs by population of those experiencing homelessness locally, based on HMIS data and other relevant information (such as service gaps and local priorities) from across the CoC.
2. Candidates for reallocation will be identified and processed through the procedure detailed below.
3. The PEC will review each application for reallocation funds to ensure eligibility and compliance with all applicable NOFO, HUD, or other requirements. The

PEC will make determinations regarding the acceptance, scoring, and priority ranking of each application based on local priorities, the community's inventory, and the needs of the local homeless population.
4. Reallocation funding decisions will be made by the HPC based on the recommendations of the PEC pursuant to the PEC's independent and strategic analysis.

Voluntary Reallocation Procedure

CoC grantees may, for a variety of reasons, choose to volunteer CoC Competition renewal project funds for reallocation to new projects.

A grantee seeking to voluntarily reallocate funding must alert the Collaborative Applicant as soon as possible - prior to the publication of the NOFO, or, when applicable, in accordance with a timeline set by the Collaborative Applicant very early in a competition. Upon notification to the Collaborative Applicant, the funds to be reallocated will be available for new projects.

Involuntary Reallocation Procedure

CoC funded projects with poor performance or critical problems are subject to involuntary reallocation through a competitive process. "Poor performance" and "critical problems" include, without limitation, the following:

- Findings — significant unresolved independent audit or HUD/local monitoring findings;
- Underperformance on key HUD System Performance Measures — such as exits to permanency, returns to homelessness, maintenance of permanent housing, increases in participant income, and linkages to external/partner resources (plus any other performance measures emphasized in the applicable NOFO);
- Failure to make effective use of project capacity — utilization and effectiveness, factoring in bed/unit operating capacity and utilization rates, as well as cost effectiveness relative to the project type and population served;
- Unsatisfactory participation in HMIS — bed coverage, data quality, etc.;
- Failure to serve the intended or eligible population; and
- Substandard grant management — taking into consideration underspending, timely draws, and recaptured funds.

The PEC has established a threshold for unconditional renewal at 65% of the maximum local project score, excluding bonus points (e.g., if the top score is 100, the minimum threshold will be set at 65). All projects submitted for renewal applications that score above the threshold will be approved for renewal without conditions.

Projects scoring at or below the threshold are given the opportunity for renewal on the condition that they must develop a Performance Improvement Plan (PIP). The PIP must address each relevant performance issue or critical problem and detail what concrete actions will be taken to improve over an appropriate timeframe. The PEC will determine the appropriate timeframe, a minimum of 6 months, based on the circumstances. The grantee must update the PIP monthly and submit it for review before each PEC meeting.

If, in the timeframe outlined in the PIP, the project has not made significant changes to improve its performance, gotten into compliance, or met set targets, the PEC reserves the right to reallocate the project's funds in whole or in part at the next available opportunity. After the end of the PIP timeframe, the project will remain subject to reallocation unless and until it is explicitly cleared by the PEC.

Upon notice of a proposed reallocation, the grantee has 2 weeks to appeal the determination to the Appeals Panel. Unless the Panel finds the appeal to be well-grounded and recommends reconsideration, the PEC will recommend the proposed reallocation to the HPC for a vote.

Unspent Funds

Projects that are under-spending grant awards are also subject to reallocation. Projects that have expended less than 90% of their award in 2 consecutive program years will have funding reduced through reallocation in the next Competition or at the earliest permissible opportunity.

The PEC may, in its discretion, recommend a one-year grace period to the HPC on behalf of grantees who appeal the proposed reallocation by providing a realistic plan demonstrating specific steps through which their expenditure rate will be improved in the current program year.

Process of Shifting Reallocated Funds

Responsibilities of Reallocated Projects

A grantee whose project funds are being reallocated is solely responsible for successfully placing each resident currently being housed by that project, as of the time it receives notice of the proposed reallocation, into another comparable or better housing and/or services situation. New projects serving the same demographic populations will accept clients from a project being wound-down. Logistical coordination support will be available to projects winding down that request assistance placing existing clients. However the grantee whose project funds are being reallocated bears the ultimate responsibility for successful placement of clients impacted by the winding down of the program.

Transition Grant

Under certain circumstances, an applicant may submit an application for a new project designed to facilitate the transition of funds between a project being eliminated through reallocation and a new project being created with reallocation funds and which has one or more different program component(s). Program components include rental assistance, supportive services, operating costs and leasing. No more than 50% of the transition grant funds may be used to wind down the reallocated project with the rest used to ramp up the new project.

The following requirements apply to Transition Grants:

(a) only available when one or more projects are wholly eliminated through the the reallocation process shifting funds to a new project (not available for partial reallocations);
(b) current recipient must have the consent of its CoC (approval of HPC based on the PEC's recommendation);
(c) the new application must meet project eligibility and project quality thresholds established in the relevant NOFO.

For a new project to be considered a Transition Grant, the new project applicant must be the recipient listed on the current grant agreement for the eligible renewal grant(s) being eliminated through reallocation.

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, and the proposal will be rated and ranked by the PEC.

This policy was approved and proposed by the PEC on [DATE!] 2025. It was approved and adopted by the HPC on [DATE!] 2025.

This Reallocation Policy, approved and proposed by the Nashville CoC PEC, updates, modifies, and supersedes the Reallocation Policy previously proposed by the PEC on August 2, 2023 and approved by the Nashville Homelessness Planning Council (HPC) on September 13, 2023.