

## **SUPPORTIVE HOUSING PROGRAM DESK GUIDE**

### **INTRODUCTION:**

#### **WHAT IS THE SUPPORTIVE HOUSING PROGRAM?**

The Supportive Housing Program (SHP) is a federal grant program authorized by the McKinney-Vento Homeless Assistance Act of 1987. It is designed, as part of the Continuum of Care strategy, to promote the development of housing and supportive services to assist homeless persons in the transition from streets and shelters to permanent housing and maximum self-sufficiency.

The grants go to nonprofit organizations, local and State governments, and other governmental entities. They, in turn, give assistance using SHP funds to help homeless persons meet three overall goals: achieve residential stability, increase their skills and/or incomes, and obtain greater self-determination.

This federal grant assistance program is administered by HUD's Special Needs Assistance Programs Office. Grants under SHP are awarded through a national competition held annually. To learn how you can enter the national competition, please call your local HUD office.

#### **SHP AND THE CONTINUUM OF CARE**

The Continuum of Care approach helps communities plan for and provide a full range of emergency, transition, and permanent housing and service resources to address the various needs of homeless persons. HUD believes the best approach for alleviating homelessness is through a community-based process that provides a comprehensive response to the different needs of homeless persons. The fundamental components of a Continuum of Care system are:

- Outreach and assessment to identify a homeless person's needs
- Immediate (emergency) shelter as a safe, decent alternative to the streets
- Transitional housing with appropriate supportive services to help people reach independent living
- Permanent housing or permanent supportive housing

SHP can provide funding for many of these components. It can provide partial support for outreach and assessment, transitional housing, permanent housing for persons with disabilities, safe havens, and supportive services to homeless persons in non-housing settings.

#### **WHY DO YOU NEED THIS GUIDE?**

This guide describes the SHP grant process from grant award onward. It will take you through the life cycle of a grant, incorporating everything from very basic information to the intricacies of grant administration. The guide is not a substitute for the SHP regulations. However, it is a practical guide to issues that arise during project implementation.

#### **GUIDE SECTIONS**

The guide really does take you from A to Z. Several sections throughout the guide have been reserved at this time so that information can be added or updated in the future

It begins in sections A, B, C and D with the basics -- goals, eligible participants, types of projects allowed, and eligible spending categories.

Following that, sections F through K deal with grant administration issues. Covered in these sections are: important dates, documents needed for the second phase technical submission, site control requirements, grantee responsibilities, project financing (reserved), charging participants rent and fees.

Section M describes the financial management aspects of the program, including Federal cost principles and administrative requirements, procurement, disbursement of funds, and audits.

Sections N through S explain a variety of other areas of implementation, including annual progress reporting; compliance monitoring (reserved) technical assistance, renewing projects and what to do if a renewal grant is not awarded. These sections also cover grant amendments and grant extensions.

Finally, Sections Y and Z cover the topics of spending and recapture of funds, and closeout procedures.

While the guide goes from A to Z, you may still need to talk with someone about SHP or your project. In those cases, contact your local HUD office. You may do this via e-mail, phone, or fax.

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## **SUPPORTIVE HOUSING PROGRAM RESOURCES**

### **SECTION A - PROGRAM GOALS**

The purpose of SHP is to assist homeless persons in the transition from homelessness, and to enable them to live as independently as possible. To that end, the program has three overall goals.

#### **THREE BASIC GOALS**

HUD has established three basic goals for each SHP project. These are incorporated in the project's design as shown in the application and reported on each year in the APR.

1. The first goal of the SHP program is to help program participants obtain and remain in permanent housing.
2. The second goal is helping the participants increase skills and/or income. Meeting this goal will allow the participants to secure an income to live as independently as possible.
3. And finally, help the participants achieve greater self-determination. The condition of homelessness itself can be damaging to one's self-determination; achieving a greater sense of self-determination enables the participant to gain needed confidence to make the transition out of homelessness.

#### **ESTABLISHING PERFORMANCE MEASURES TO MEET GOALS**

In order to meet the three basic program goals, each project should develop specific performance measures. Performance measures should include discussion of both housing and services.

Performance measures are developed as part of the project narrative in the Technical submission following conditional approval or a project.

Performance measures should and relate closely to the overall objectives of the project stated in the application. The performance measures are simply a quantifiable means of ensuring progress toward achievement of objectives and desired outcomes.

#### **Performance measures have three key components. They must:**

1. relate to outcomes. Rather than simply focusing on the services to be provided, the provider should have a broader vision of the next step for the participant once he/she leaves the program;
2. have a time frame for achievement; and
3. be measurable - that is, include a number or percentage indicating a specific level of achievement.

The more clearly the performance measure is stated, the easier it will be to describe annual performance and meet APR requirements.

HUD recognizes that the nature of the program and the subpopulations grantees work with may result in limited goal attainment. Therefore, we will not necessarily consider low levels of achievement as indications of poor performance. Rather, we are looking for strategies to effectively meet the program goals, along with efforts at continuously improving performance.

### **EXAMPLES OF PERFORMANCE MEASURES FOR EACH OF THE GOALS ARE:**

Goal: Obtain and remain in permanent housing

- 70% of those families entering the program will receive Section 8 certificates  
Of 80 families entering the program, 52 will remain in Section 8 housing for 1 year or more
- 90% of those not entering the program will receive referrals to other programs
- 8 of 10 Shelter + Care participants will remain in permanent S+C housing for at least 3 years

Goal: Increase skills and/or income

- 80% of the participants who receive no benefits upon entry will receive entitlement benefits within 6 months
- 38 participants will be enrolled in job training program by the 12th month of residency, and \* 80% of that group will complete the job training program
- 70% of graduates of the job training program will hold a permanent job at least 3 months

Goal: Achieve greater self-determination

- 85% of clients will meet at least one goal on their Individual Service Plan
- 50% of clients will meet more than one goal
- 44 program participants will open a savings account and will contribute 25 % of their income monthly

### **REPORTING ON SUCCESS**

The Annual Progress Report (APR) tracks program progress and accomplishments in the Department's competitive homeless assistance programs. The APR provides the recipient and HUD with information necessary to assess each recipient's program. Grantees must submit an APR to HUD within 90 days after the end of each operating year and for each year in which HUD funding is provided.

Failure to submit an APR may lead to a delay in receiving future grant funds. Exhibit 4 of the APR, Program Goals and Objectives, provides information on the recipient's progress in meeting

objectives that were established in the original grant application and/or the previous year's APR. Here, the grantee is asked to list the objective(s) for each of the three basic goals, describe the progress in meeting the objectives(s), and specify the objectives for the next operating year. The established performance measures provide a benchmark for reporting successes, or explaining why the goal was not achieved.

By specifying the objectives for the next operating year the grantee is required to not only consider last year's performance but also given the opportunity to revise objectives for the next operating year based on last year's experience. Additional information on Annual Progress Reporting is included in Section N.

## **SECTION B - ELIGIBLE PARTICIPANTS**

The Supportive Housing Program (SHP) is one of the McKinney-Vento Homeless Assistance Act programs designed to move homeless persons from streets and shelters to permanent housing and maximum self-sufficiency. A person must be homeless in order to receive assistance under SHP.

### **ELIGIBLE PERSONS**

Basically, a homeless person is someone who is living on the street or in an emergency shelter, or who would be living on the street or in an emergency shelter without the SHP assistance. A person is considered homeless only when he/she resides in one of the places described below:

- In places not meant for human habitation, such as cars, parks, sidewalks, abandoned buildings (on the street).
- In an emergency shelter.
- In transitional or supportive housing for homeless persons who originally came from the streets or emergency shelters.
- In any of the above places but is spending a short time (up to 30 consecutive days) in a hospital or other institution.
- Is being evicted within a week from a private dwelling unit and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing.
- Is being discharged within a week from an institution, such as a mental health or substance abuse treatment facility or a jail/prison, in which the person has been a resident for more than 30 consecutive days and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing.
- Is fleeing a domestic violence housing situation and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing.

### **INELIGIBLE PERSONS**

Persons who are not homeless may not receive assistance under SHP. Examples of people who are not homeless are those who are:

- In housing, even though they are paying an excessive amount for their housing, the housing is substandard and in need of repair, or the housing is crowded.
- Incarcerated, but upon discharge the person is eligible if no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing.

- Living with relatives or friends.
- Living in a Board and Care, Adult Congregate Living Facility, or similar place.
- Being discharged from an institution, which is required to provide or arrange housing upon release.
- Wards of the State, although youth in foster care may receive needed supportive services, which supplements, but does not substitute for, the state's assistance.

### **DEMONSTRATING PARTICIPANT ELIGIBILITY AT APPLICATION**

When applying for SHP funds it is imperative that the project narrative demonstrates that the proposed population to be served is homeless. This can be done by clearly indicating where the proposed population will be residing prior to acceptance in the project, and by clearly describing an outreach and engagement plan, which will bring the proposed population into the project.

### **DEMONSTRATING COMPLIANCE DURING PROJECT IMPLEMENTATION**

Grantees must maintain adequate documentation to demonstrate the eligibility of persons served by SHP funds.

### **PERSONS LIVING ON THE STREET**

Supportive services only projects provide services -- such as outreach, food, health care, clothing -- to persons who reside on the streets. In most cases, it is not feasible to require the homeless persons to document that they reside on the street. It is sufficient for the grantee's staff to certify that the persons served, indeed, reside on the street. The outreach or service worker should sign and date a general certification verifying that services are going to homeless persons and indicating where the persons reside.

### **PERSONS COMING FROM LIVING ON THE STREET**

The grantee should obtain information to indicate that a participant is coming from the street. This may include names of other organizations or outreach workers who have assisted them in the recent past who might provide documentation.

If you are unable to verify that the person is coming from residing on the street, have the participant prepare or you prepare a written statement about the participant's previous living place and have the participant sign the statement and date it. Merely obtaining a self-certification is not adequate.

If the participant was referred by an outreach worker or social service agency you must obtain written verification from the referring organization regarding where the person has been residing. This verification should be on agency letterhead, signed and dated.

### **PERSONS COMING FROM AN EMERGENCY SHELTER FOR HOMELESS PERSONS**

The grantee should have written verification from the emergency shelter staff that the participant has been residing at the emergency shelter for homeless persons. The verification should be on agency letterhead, signed and dated.

### **PERSONS COMING FROM TRANSITIONAL HOUSING FOR HOMELESS PERSONS**

The grantee should have written verification from the transitional housing facility staff that the participant has been residing in the transitional housing. The verification should be on agency letterhead, signed and dated.

The grantee should also have written verification that the participant was living on the streets or in an emergency shelter prior to living in the transitional housing facility (see above for required documentation) or was discharged from an institution or evicted prior to living in the transitional housing facility and would have been homeless if not for the transitional housing (see below for required documentation).

### **PERSONS FROM A SHORT-TERM STAY (UP TO 30 CONSECUTIVE DAYS) IN AN INSTITUTION**

The grantee should have written verification from the institution's staff that the participant has been residing in the institution for 30 days or less. The verification should be signed and dated.

The grantee also should have written verification that the participant was residing on the street or in an emergency shelter prior to the short-term stay in the institution. See above for guidance.

### **PERSONS BEING EVICTED FROM A PRIVATE DWELLING**

The grantee must have evidence of the formal eviction proceedings indicating that the participant was being evicted within the week before receiving SHP assistance.

If the person's family is evicting him/her, a statement describing the reason for eviction should be signed by the family member and dated. In other cases where there is no formal eviction process, persons are considered evicted when they are forced out of the dwelling unit by circumstances beyond their control. In those instances, the grantee must obtain a signed and dated statement from the participant describing the situation. The grantee must make efforts to confirm that these circumstances are true and have written verification describing the efforts and attesting to their validity. The verification should be signed and dated.

The grantee must also have information on the income of the participant and what efforts were made to obtain housing and why, without the SHP assistance, the participant would be living on the street or in an emergency shelter.

### **PERSONS BEING DISCHARGED FROM AN INSTITUTION**

The grantee must have evidence from the institution's staff that the participant was being discharged within the week before receiving SHP assistance. The grantee must also have information on the income of the participant and what efforts were made to obtain housing and why, without the SHP assistance, the participant would be living on the street or in an emergency shelter.

**FLEEING DOMESTIC VIOLENCE**

The grantee must have written verification from the participant that he/she is fleeing a domestic violence situation. If the participant is unable to prepare the verification, prepare a written statement about the participant's previous living situation and have the participant sign the statement and date it.

**DEMONSTRATING ELIGIBILITY FOR THE PERMANENT HOUSING COMPONENT**

The permanent housing for persons with disabilities component may only accept homeless persons with a disability. The grantee must have written verification from a qualified source that the person has a disability.

**CHANGING THE TARGET POPULATION**

Applicants identify their target population in the initial application. This application is incorporated into the grant agreement and, therefore, guides implementation of your grant. Significant changes to your project must receive prior HUD approval. The category of persons to be served, or target population of the project, is specifically mentioned in the SHP regulations at 24 CFR 583.405 as a significant change. Contact your local HUD field office to discuss any change in target population.

## **SECTION C - PROGRAM COMPONENTS**

SHP has five components - five approaches to helping homeless people achieve independence. Applicants may choose whichever approach suits the needs of the people they intend to serve.

### **Component 1: Transitional Housing (TH)**

Transitional housing is a type of supportive housing used to facilitate the movement of homeless individuals and families to permanent housing. Basically, it is housing in which homeless persons live for up to 24 months and receive supportive services that enable them to live more independently. The supportive services may be provided by the organization managing the housing or coordinated by them and provided by other public or private agencies. Transitional housing can be provided in one structure or several structures, at one site or in multiple structures at scattered sites.

### **SHP support in TH projects**

SHP funds can be used in the following ways to provide new transitional housing or expand already existing transitional housing:

- acquisition
- rehabilitation
- new construction
- leasing
- supportive services
- operations
- administration

### **Limitation of stay in TH**

Homeless individuals and families may reside in transitional housing for up to 24 months. However, if permanent housing for the individual or family has not been located or if the individual or family requires additional time to prepare for independent living, they remain for a period longer than 24 months. Assistance may be discontinued for a transitional housing project if more than half of the homeless persons remain in the project longer than 24 months.

### **Access to supportive services in TH**

Transitional housing participants receive supportive services that enable them to live more independently. Project sponsors must describe the accessibility of these services in their project application. Though the services need not be in the same structure, they should be in close proximity to facilitate accessing the services. When services are needed that are not in close proximity, the sponsor should help the persons access the services, such as by providing transportation.

### **Movement from transitional to permanent housing**

Housing placement assistance must be part of any transitional housing program. Transitional housing residents may need assistance with all the tasks and stress involved in locating, obtaining, moving into, and maintaining the housing. Discrimination in the housing market may

make the situation more difficult. Without third-party intervention, some graduates may resort to renting substandard or inappropriate housing or relapse into homelessness.

A comprehensive approach to locating housing includes preparing and training clients in searching for, securing, and maintaining their own housing, developing relationships with local producers and managers of housing to which graduates could move, and helping clients establish a savings plan so they can afford to move in.

In many instances, assistance also entails direct contact and negotiation of rental terms in tandem with graduates and money to help pay move-in costs. However, keep in mind that the most successful graduates of transitional housing are those who have taken the lead in deciding where they will live permanently.

## **Component 2: Permanent Housing for Persons with Disabilities (PHPWD)**

The Permanent Housing for Persons with Disabilities component is another type of supportive housing. It is long-term, community-based housing and has supportive services for homeless persons with disabilities. This type of supportive housing enables special needs populations to live as independently as possible in a permanent setting. The supportive services may be provided by the organization managing the housing or coordinated by the applicant and provided by other public or private service agencies. Permanent housing can be provided in one structure or several structures at one site or in multiple structures at scattered sites.

### **SHP support in PHPWD projects**

SHP funds can be used in the following ways to provide new permanent housing or expand already existing permanent housing:

- acquisition
- rehabilitation
- new construction
- leasing
- supportive services
- operations
- administration

### **16-person limit**

The housing structure for the Permanent Housing component allows for 16 or fewer persons in a single structure. If there are more than 16 people, then an explanation is required as to how local market conditions necessitate this size, and how neighborhood integration can be achieved for the residents.

### **Types of PHPWD structures**

Structures may include most housing types. For example, they can be apartments, single-family houses, duplexes, group homes, or single-room occupancy rooms.

### **Persons with disabilities in SHP**

In the SHP statute, the PHPWD component is for assisting a homeless person with a disability who has at least one of the following characteristics:

- Considered disabled under Section 223 of the Social Security Act;
- Determined to have a physical, mental, or emotional impairment of long-continued duration, impeding the ability to live independently, and of a nature that could be improved by more suitable housing;
- Having a developmental disability;
- Having AIDs or conditions arising from its etiological effects.

### **Component 3: Supportive Services Only (SSO)**

Supportive Services Only (SSO) projects address the service needs of homeless persons. Projects are classified as this component only if the project sponsor is not also providing housing to the same persons receiving the services.

#### **SSO project characteristics**

SSO projects may be in a structure or structures at a central site, or they may be in multiple structures at scattered sites where services are delivered. Projects may also be operated independent of a structure, e.g., street outreach or mobile vans for health care. Regardless of the design, SSO project applications must contain a full description of how homeless persons will be assisted to obtain and remain in permanent housing and how homeless persons will be assisted in increasing their incomes and in living independently. All SHP components are focused on helping participants achieve permanent housing.

#### **SHP support in SSO projects**

SHP funds can be used in the following ways to provide new supportive services only projects or expand already existing supportive services only projects:

- Acquisition
- Rehabilitation
- Leasing
- Supportive Services
- Administrative Costs

Note that SHP cannot be used for new construction or operating costs. The prohibition is statutory.

#### **Supportive service costs vs. operating costs in SSO projects**

Confusion sometimes occurs over what is an operating cost in an SSO project. Two basic criteria to help clarify the issue are: (1) The direct costs of providing the services to participants are eligible; (2) The cost identified in the examples below is eligible only to the extent that it is part of the project.

Grant funds may be used to pay for the actual costs of new or increased supportive services to homeless persons, including salaries paid to providers of supportive services and any other costs directly associated with providing such services.

Examples of eligible supportive services costs are:

The cost of computers and desks used in a job readiness-training program are usually eligible supportive services costs.

The salaries of staff directly contacting homeless persons in an outreach program, are eligible supportive services costs.

The purchase of vehicles for transporting homeless persons to other services and job training sites is an eligible SSO cost. The cost of fuel, insurance, and repairs are also eligible.

More examples are given in Section D: Eligible Activities.

Examples of ineligible supportive services costs are:

Training for supportive services staff is not eligible because the SHP funds are meant for the direct benefit of homeless persons.

Fundraising activities and conference fees are not eligible activities.

Contact the field office in your jurisdiction for guidance on your particular project.

#### **Component 4: Safe Havens**

A Safe Haven is a form of supportive housing that serves hard-to-reach homeless persons with severe mental illnesses who is on the street and have been unable or unwilling to participate in housing or supportive services. Safe Havens serve as a refuge for people who are homeless and have a serious mental illness.

Of the Nation's homeless population, approximately 40 percent have indicators of mental health problems. Escaping homelessness for the person with a severe mental illness is much more difficult because the symptoms may disrupt the very judgment, motivation, and social skills that are essential for community living.

Safe Havens serve as a portal of entry providing basic needs (such as food, showers, clothing), as well as a safe and decent residential alternative for homeless people with severe mental illness who need time to adjust to life off the streets and to develop a willingness and trust to accept services in order to transition to permanent housing.

Due to the special needs of the participants of the Safe Haven projects there are some specific characteristics that contribute to the success of a Safe Haven facility, such as intensive and skilled outreach to this hard-to-reach population; engagement at a pace comfortable for the participant; intake/assessment, understanding that it is this consumer's inability to get through the intake process at traditional shelters that make them candidates for Safe Havens; supportive service delivery at the participant's pace.

## **Safe Haven Design**

Because a Safe Haven is a form of supportive housing it must comply with all of the SHP requirements. In addition specific requirements of a Safe Haven are:

- Serves hard-to-reach homeless person with severe mental illnesses who are on the streets and have been unable or unwilling to participate in supportive services
- Allows 24-hour residence for an unspecified duration
- Has private or semi-private accommodations
- Limits overnight occupancy to no more than 25 persons
- May include a drop-in center as part of outreach activities
- Is a low demand facility where participants have access to needed services, but are not required to utilize them

## **SHP Support in Safe Havens**

Any one or a combination of the following activities can be used to provide a new Safe Haven or expand an already existing Safe Haven:

- acquisition
- rehabilitation
- new construction
- leasing
- supportive services
- operations
- administration

## **Safe Havens and the Continuum of Care**

The success of any Safe Haven project rests upon the strength of the linkages it has with all other components of the Continuum of Care. Through these linkages with the community (particularly the State and local Mental Health Agency) the Safe Haven project can better deal with some of the issues that can arise when developing a Safe Haven. Issues such as NIMBYism; appropriate housing design, and the unique staffing issues for this type of project are just some of the issues that can be overcome by a strong partnership with the local community.

The basic services and supports in a Safe Haven drop-in center can be an integral link to the outreach component of the Continuum of Care. Additionally, the Safe Haven can prove to be a vital resource for local hospitals, in-patient facilities and emergency shelters to refer persons with severe mental illness who continue to live on the street.

## **Safe Havens Resource Information**

For more information and guidance on developing a Safe Haven, request a copy of the guide *In from the Cold: Creating Safe Havens for Homeless People on the Street*, or [click here](#) on our web site.

### **Component 5: Innovative Supportive Housing (ISH)**

The innovative supportive housing component of SHP enables the applicant to design a program that is outside the scope of the other components. Projects under this component must be innovative as described in the NOFA. In particular, a proposed innovative project must demonstrate that it represents a distinctively different approach when viewed within its geographic area, is a sensible model for others, and can be replicated elsewhere.

Note that almost every eligible project fits in one of the component categories above. Very few projects have received SHP funding under the innovative category. An applicant should not propose a project under this component unless a compelling case is made that these criteria can be met. The activities in an innovative project must also meet eligible program guidelines as established in the regulations at 24 CFR Part 583.

### **SHP support in ISH projects**

SHP funds can be used in the following ways to provide new innovative supportive housing or expand already existing innovative supportive housing:

- acquisition
- rehabilitation
- new construction
- leasing
- supportive services
- operating costs
- administration



## SECTION D - ELIGIBLE ACTIVITIES

6/5/00 Note: Clarifications on eligible Supportive Services costs have been made in the supportive services section below:

SHP funding is generally available to support seven activities in supportive housing projects:

The only exception is for supportive services only projects, which may receive SHP funds for all of these activities except new construction and operating costs. However, SHP funds provide only a portion of project costs because all but one eligible activity has limitations and/or matching requirements prescribed by law.

### **Acquisition and Rehabilitation**

SHP grants for acquisition may be used to pay a portion of the costs of purchasing a structure, which will be used to provide supportive housing or supportive services. SHP acquisition grants for acquisition may also be used for the repayment of outstanding debt on a loan made to purchase a structure, which has not been previously used for supportive housing or supportive services.

In each project, the SHP grant for acquisition and rehabilitation is limited to between \$200,000 and \$400,000, per structure, depending on whether the project is in a high cost area. A high cost area is a locality that HUD has determined to have high acquisition and rehabilitation costs. Contact the HUD Field Offices for the limit applicable to a given locality. The percentages and limits are:

100-119% The limit is \$200,000  
120-139% The limit is \$250,000  
140-159% The limit is \$300,000  
160-174% The limit is \$350,000  
175% and up The limit is \$400,000

This limit applies to combined acquisition and rehabilitation activities.

Projects receiving SHP grants for acquisition and rehabilitation must be operated for not less than 20 years for the purpose specified in the application.

### **New Construction**

New construction costs are eligible under all program components except the supportive services only component. However, if grant funds are to be used for new construction, the applicant must demonstrate that the costs associated with new construction are substantially less than the costs associated with rehabilitation or that there is a lack of available units that could be rehabilitated at a cost less than new construction. (Demolition costs are not eligible under SHP.)

Grants for new construction are limited to \$400,000 per structure (regardless of where the project is located). If the applicant is also acquiring land in tandem with the new construction, the \$400,000 limit applies to both activities together. Therefore, an applicant would not apply for a new construction grant and a separate grant to acquire the land, but rather new construction to cover both the land and the structure.

Projects receiving SHP grants for new construction must be operated for not less than 20 years for the purpose specified in the application.

#### Match requirement for acquisition, rehabilitation, and new construction

SHP funds provided for acquisition, rehabilitation, and new construction must be matched by the recipient with an equal amount of funds from other sources. The cash source may be the recipient, the Federal Government, State and local governments, or private resources.

The matching funds must be committed during the second phase, or technical submission, of the application process. The commitment must be in the form of a letter submitted on letterhead stationery, signed by an authorized representative and dated. Each letter must contain the name of the organization providing the cash resource; the amount; the type of activity for which the funds will be used (e.g., acquisition, rehabilitation, or new construction); the name of the project sponsor organization and/or the name of the project; and the date the funds will be available.

#### **Leasing**

Leasing structures to provide supportive housing or supportive services, or to pay rent for individual units during the period covered by the grant is an eligible activity. A grantee may lease portions of a structure, the full structure, or multiple structures.

#### **Housing standards**

For any assistance provided, the housing and services must be in compliance with all applicable State and local housing codes, licensing requirements, and any other requirements of the jurisdiction in which the project is located regarding the condition of the structure and the operation of the housing or services.

Supportive housing must meet the habitability standards described in the program regulations at (583.300(b)). Any variations from those standards proposed by the recipient must be approved by HUD.

#### **Reasonable rents**

In leasing all or part of structures, the rent paid must be reasonable in relation to rents being charged in the area for comparable space. The rent may not exceed rents being charged by the same owner for comparable space.

In leasing individual units (houses or apartments), the rent paid may reflect only actual costs, and must be reasonable in relation to rents being charged for comparable units. In determining comparability, you should consider location, size, type, quality, amenities, facilities, and management services. If the owner has both assisted and unassisted housing units, rents for the assisted units may not exceed rents being charged for that owner's comparable unassisted units. The grantee should keep file documentation showing reasonableness.

The grant funds may also be used to pay the landlord for any damages to the leased units by homeless participants. Up to one month's rent may be used for this purpose.

The portion of rents paid with grant funds may not exceed HUD-determined fair market rents (FMR). FMRs are published annually in the Federal Register, and should be used in estimating

leasing costs. The listings are available on HUD's web site, at [www.huduser.org/datasets/pdrdatas.html](http://www.huduser.org/datasets/pdrdatas.html).

The published FMRs are gross rent estimates, and include shelter rent and the cost of utilities (except telephone).

### **Leasing vs. operating costs**

In most instances, leasing a structure or individual unit(s) would not require additional operating costs because the cost of leasing would include the landlord's expenses for maintenance, repair and utilities. If such costs are anticipated, the amount and proposed use should be documented in the original project proposal.

### **Limitations on leasing assistance**

If the grant funds are used for leasing assistance, the grantee may not request assistance for acquisition or new construction for the same property.

If a leased unit requires rehabilitation, and grant funds will be used to rehabilitate the leased property, the project sponsor must have site control. You must be able to demonstrate that the rehabilitated property will serve the purpose specified in the application for at least 20 years.

If a family or individual has been assisted through leasing, and remains in that housing without further assistance, the applicant may not request assistance for acquisition, rehabilitation or new construction for that property.

Leasing assistance is subject to the requirements of the Lead-Based Paint Poisoning Prevention Act. For residential structures constructed before 1978, there are requirements and procedures for addressing the hazards of lead-based paint. The requirements encompass both the residential unit, and non-dwelling portions of a structure that might be used by children under seven years of age, such as a day care center.

Grantees may not give funds directly to participants to pay the leasing costs, but must pay individual landlords directly.

The project sponsor may not lease property that it already owns to itself, a parent, or a subsidiary organization. Any lease arrangement must be at arm's length. The funds designated for leasing may only be used for the actual costs of leasing a structure/unit. They may not be used to pay a project sponsor's mortgage or other costs of building operations.

### **Documentation of leasing costs**

Applicants conditionally selected will include information about leasing in their technical submission that corresponds to the activities submitted in their original application. The technical submission should cover:

- leasing costs for supportive housing and/or supportive service facilities documented with fair market rent information from the applicable Federal Register, or;
- comparable cost data, as appropriate, to show that the SHP request is within these limits.

The Annual Performance Report (APR) is the vehicle for reporting leasing activities and documenting shared costs.

### **Renewal grants**

Leasing activities are eligible for renewal grants as described in Section O.

### **Supportive Services**

SHP funds can be used to pay for the actual costs of supportive services to homeless persons in a new project or for the actual costs of increasing supportive services to homeless persons in an existing homeless project. Supportive services are important in a project since they assist homeless participants in the transition from the streets or shelters to permanent or permanent supportive housing.

### **Eligible Supportive Services**

Almost any services aimed at moving homeless participants to independence are eligible for SHP support. The following are examples of services, which may be paid for, with supportive service grant funds:

Outreach, Child care, Job training/placement, Case management, Health care, Transportation, Employment assistance, Education, Vocational opportunities, Life skills, Counseling, Housing search assistance, Substance abuse treatment Parenting skills, Rent deposits, Psychiatric care, Mental health care, Home furnishings, Budgeting

Examples of eligible/ineligible supportive services costs are:

### **Eligible supportive service costs**

- salary of case manager, counselor, therapist, etc.
- salary of case management supervisor when he/she is working with clients or working with a case manager on issues regarding clients
- desks, computers used by clients and their trainer in employment training programs
- food, clothing, transportation for use by clients
- medical/dental care for clients
- first and last month's rent, security deposits, credit checks for participants moving from transitional housing to permanent housing
- clothing, tools, and similar items needed by participants for jobs or job training
- beepers for outreach workers
- mileage allowance for service workers to visit participants at home, if participants reside in scattered site housing
- vehicle purchase and operation (gas, insurance, maintenance) when used for transporting clients

### **Ineligible supportive service costs for TH, PH and Safe Haven Projects**

- salary of case management supervisor when he/she is not working directly on participant issues
- desks/computers used by staff for intake, or other daily activities

- office telephones, fax, postage, utilities, insurance
- office or meeting space
- staff recruitment/training

### **NEW as of 8/24/00**

Please note that certain costs for SSO projects are eligible, but only to the extent that these costs are part of the project, and the project is classified as SSO. The scope of direct costs of providing supportive services has expanded and those costs include: staffing, utilities, equipment and supplies, furnishings, repairs and maintenance, transportation, insurance and security. Please check with your Field Office if you need clarification.

Participants in TH, PHPWD, SSO, Safe Havens may receive supportive services throughout the time they are part of the project. In TH, participants may also receive services after they leave the project.

A transitional housing participant who is graduating from the project may receive follow-up services paid for with SHP funds for an additional six months. This is done so that the participant is assisted in adjusting to independent living [24 CFR 583.120(b)].

### **Match requirement for supportive services**

Beginning with the 1999 SHP awards, SHP grantees must share in the costs of supportive services. The requirement is an 80-20 split of supportive services costs between SHP and the grantee.

Match is a cash payment for the provision of supportive services. The grantee's cash source can be from itself, the Federal government, State and local governments or private contributions.

Grantees will be required to list the sources and amounts of cash the contributed toward the cost of supportive services in the Annual Performance Report. During monitoring, field offices will review the supporting documentation on site or remotely.

### **Operations**

Operating costs are those costs associated with the physical day-to-day operation of supportive housing facility and for which cash payment is needed. Operating costs differ from supportive services cost in that operating costs support the function and the operation of the housing project. Only operating cost for a new project or the expanded portion of an existing projects are eligible for SHP funding. Also, SHP funds may not be used for the cost of operating a supportive services only facility.

### **Eligible operational costs**

The expense incurred by the grantee to operate supportive housing is an eligible SHP activity. Some examples include:

- Maintenance and Repair
- Operations staff
- Utilities
- Equipment
- Supplies
- Insurance
- Food
- Relocation
- Furnishings

Sometimes operational staffs also carry out supportive services activities. To the extent a staff person does both, their expenses must be split between the two categories. The grantee will need documentation, such as time sheets, to show how the expenses were split.

Relocation assistance - the costs associated with displacing persons in order to use a structure are included under operational costs, even though such payments may be a one-time occurrence.

### **Operational costs vs. mortgage payments**

Because SHP allows grantees to repay outstanding debt on a loan to purchase the structure under the acquisition activity, grantees may not consider mortgage payments as an operational cost. This means that when the operating budget is calculated, mortgage payments may not be included.

Examples of eligible and ineligible operational costs are:

#### **Eligible operating costs**

- salaries of staff not delivering services, such as project manager, security guard
- utilities costs: gas, heat, electric, etc.
- desks, computers, telephones used by staff
- furnishings (beds, chairs, dressers, etc.) for participants
- equipment (refrigerators, ranges, etc.)
- food

#### **Ineligible operating costs**

- mortgage payments (see Acquisition)
- recruitment or on-going training of staff
- rent (may be eligible as real property leasing)
- depreciation
- costs associated with the organization rather than the supportive housing project (fund raising efforts, pamphlets about organizations, etc.)
- operating costs of a supportive services only facility

### **Match requirement for operations**

SHP grantees are responsible for matching the operational cost of supportive housing. Beginning with grants made in the FY 2000 competition, SHP funds can be used to pay up to 75% of the operating cost in each year of the grant term. (For grants made prior to FY 2000, SHP funds can

be used to pay up to 75% of the operating cost for the first two years of the grant, and up to 50% for the third year of the grant.) The match requirement is the difference between the total operating costs and the amount of the SHP operating funds. Match requirements are to be made by cash and paid by the end of each operating year. The grantee's cash source can be from itself, the Federal government, State and local governments or private contributions. Grantees will be required to submit documentation at the end of each operating year that they contributed their share of cash.

### **Administrative Costs**

Up to five percent of any grant awarded under SHP may be used for the purpose of paying costs of administering the assistance. Applicants and project sponsors must work together to determine the plan for distributing administrative funds between applicant and project sponsor (if different).

Administrative costs include the costs associated with accounting for the use of grant funds, preparing reports for submission to HUD, obtaining program audits, similar costs related to administering the grant after the award, and staff salaries associated with these administrative costs. They do not include the costs of carrying out acquisition, rehabilitation, new construction, leasing, supportive services or operating costs.

Examples of eligible and ineligible administrative costs are:

#### **Eligible administrative costs**

- preparation of Annual Progress Report
- audit of Supportive Housing Program
- staff time spent reviewing/verifying invoices for grant funds, drawing money from Treasury, and maintaining records of the use of those funds
- field office training on managing the grant

#### **Ineligible administrative costs**

- preparation of application/technical submission
- conferences, fund raising activities, and training in professional fields (such as social work or financial management)
- salary of organization's executive director (except to the extent he/she is involved in carrying out eligible administrative functions as shown under eligible administrative costs list)

## SECTION F - IMPORTANT DATES

In implementing an SHP project, the grantee must comply with certain requirements at specific times. Some of these times are specified in the SHP program regulations; others are specified in the NOFA and grant agreement.

This section describes the significance of the dates of:

### Award notification

The date of the letter from HUD indicating selection as a conditionally funded recipient starts the clock for the site control requirement. A selectee has one year to demonstrate site control, if applicable (see section H of this guide). If site control is not achieved within one year from the date of this award letter, HUD is mandated by law to cancel the offer of an SHP grant.

### Contract effective date

The effective date of the grant agreement is the date on which the local HUD office signs a grant agreement. Once executed, the local HUD office returns a copy of the contract to the grantee. The date on the grant agreement is shown below the signature of the Director of the Community Planning and Development Division.

A project sponsor's effective date is the date that the written agreement between the grantee and the project sponsor is executed; the date cannot precede the effective date of the agreement between HUD and the grantee.

Grantees may not incur project costs prior to the effective date of the grant agreement. In very rare instances, a grantee may incur pre-agreement costs subject to prior written approval from the local HUD office. Without this prior written approval, the grantee cannot be reimbursed for expenditures with SHP funds. An example of an allowable pre-agreement cost is the cost of attending post-award training held by the field office for grantees.

### Operating start date

The operating start date indicates when the term of the grant begins. It is the date when participants begin to receive housing and/or services.

This date is significant for two reasons. First, it dictates the beginning and end dates of the grant's funding term, i.e., one, two or three years. Second, the operating start date starts the clock for submission of annual reports.

The grantee enters the operating start date into the LOCCS accounting system, according to one of the following situations:

### **For projects with acquisition, new construction or rehabilitation -**

The operating start date begins after completion of all acquisition, new construction or rehabilitation activities; after sending a copy of the Certificate of Occupancy to the local HUD office; and when the first participant is accepted into the project.

## **For projects without acquisition, new construction or rehabilitation -**

The operating start date begins when the grantee accepts the first participant. For example, a Supportive Service Only component grant providing job training would enter the date it serves the first client. As the project term begins, the grantee makes the first draw down for leasing, supportive services or operating costs under LOCCS.

### **Milestones**

The NOFA and regulations contain timeliness standards for SHP projects. Grantees submit project milestones as part of their Technical Submission, and the Technical Submission is incorporated into the grant agreement.

HUD may de-obligate funds if serious delays occur which are within the control of the grantee. Additional information regarding de-obligation is given in section 583.410(c) of the SHP regulations.

HUD compares a grantee's application milestones with actual progress and with information submitted in the APRs. Significant deficiencies regarding milestones could result in corrective measures or cancellation of the grant.

If a grantee feels that its project is not achieving its milestones, it may contact the local HUD Office for technical assistance. This contact will establish two things: it will enable staff to suggest options or provide technical assistance; and it documents the fact that the grantee is working to correct any deficiency.

### **Timeliness of spending grant funds**

Since SHP funds are intended for immediate use to assist people experiencing homelessness, it is necessary for a project to maintain a progressive schedule. In addition to the development milestones, grantees are expected to make timely draws from their LOCCS project accounts - draws that are neither too early nor too late.

Grantees make draws too early when they draw down SHP funds in advance of needing to pay an invoice, salaries, etc. US Treasury rules require grantees to repay any interest gained on holding grant funds in an interest bearing account. The rule of thumb is that grantees should draw funds from the Treasury no more than three days before needing to pay an invoice, salaries, etc.

Grantees make draws too late when they do not use earmarked SHP funds to pay when bills are due. US Treasury rules do not allow grantees to pay late charges with SHP funds. Also, grantees are discouraged from using some other funds to pay for earmarked SHP activities and reimbursing themselves with SHP funds. This is seen as a poor financial management practice.

### **Term of commitment for acquisition, rehabilitation and new construction projects**

By law, projects that receive SHP funds for acquisition, rehabilitation, or new construction must operate the project in the assisted structure for 20 years. After that time, the "value" of the SHP funds are used up, and the grantee may use the site as it wishes. The 20-year period begins when the project begins serving homeless persons (see operating start date section above), and ends 20 years later.

Please note that during the 20-year period the requirements of the SHP program are in effect. For example, participants living in an assisted structure cannot be required to pay resident rent in excess of 30% of their adjusted income, 10% of their monthly income, or their welfare rent. The SHP regulations apply even when the project is not receiving SHP renewal funds.

The law also prescribes procedures when an assisted structure is not used for 20 years. If the structure is used for less than 10 years, the grantee is required to repay all of the acquisition, rehabilitation, or new construction costs originally paid for with SHP grant funds. For each full year the assisted structure is used beyond the 10 years, the grantee's repayment is reduced by 10 percent.

If the assisted structure is sold or otherwise disposed of within the 20-year period, HUD may prescribe terms or conditions, which prevent the grantee from unduly benefiting. However, HUD will not impose any terms or conditions when the sale or disposition results in the subsequent use of the assisted structure for the direct benefit of very low-income persons (below 50% of area median) or all of the proceeds are used to provide supportive housing.

Lead Agencies are reminded that, as the grantee, they are responsible for any repayment of grant funds and may want to include a Term of Commitment clause in all project sponsors' contracts.

## **SECTION G - CONDITIONAL AWARDS AND TECHNICAL SUBMISSION**

The SHP application process has two phases. First, eligible organizations submit applications for SHP projects in response to the Continuum of Care Homeless Assistance Notice of Funding Availability (NOFA). An applicant who is successful in the competition (called a "selectee") then completes a second phase by providing more detailed technical information not contained in the original application. This more detailed information is submitted by completing what is referred to as the SHP Technical Submission document which contains all of the information HUD requires for the second (and final) phase prior to grant agreement execution.

### **Submission Process for Selectees**

#### **Applicability**

The Technical Submission must be completed by all selectees, whether funded for a new SHP project, an expansion of an existing effort, or for a renewal project.

#### **Contents of Technical Submission Document**

The Technical Submission document consists of a cover page and six exhibits:

Cover Page: Table of Contents and Certification

Exhibit 1: Project Summary

Exhibit 2: Acquisition, Rehabilitation, New Construction, and Project Feasibility

Exhibit 3: Real Property Leasing

Exhibit 4: Supportive Services

Exhibit 5: Operating Budget

Exhibit 6: Administration and Leveraging

Selectees are required to complete only the exhibits, which are applicable to their project.

#### **Deadline and Requests for Extension of Deadline**

The deadline for the Technical Submission is one month from the date of the letter from the selectee's HUD Field Office requesting the submission. Selectees may submit exhibits as they complete them; however, the entire submission should be submitted by the deadline.

Extensions of the one-month deadline may be granted by the Field Office if there are any omissions or deficiencies in the Technical Submission document, which can be corrected within a reasonable timeframe. However, approval of the extension is contingent on whether, in the Field Office's judgment, the selectee has made a good faith effort to meet the initial deadline and whether the remaining issues can be resolved in a timely manner.

#### **Review Process**

The technical submission is reviewed and approved or disapproved at the HUD Field Office level. Field Offices will be reviewing budget figures to ensure that items are eligible and budgets are reasonable and that the project described in the technical submission documents matches the conditionally selected project. During this stage, it may be necessary to reduce the grant if

ineligible costs are found or adjust budgets if costs are misclassified. The total project funding may not be increased, however.

If a project is found to have major problems or deficiencies that, in the judgment of the Field Office, cannot be corrected within a reasonable timeframe or it is determined by the Field Office that the selectee has not made a good faith effort to produce an approvable project by the technical submission deadline, the project will be denied final grant approval.

### **Documentation of Application Changes**

The technical submission exhibits should contain more detailed information about a project, which should be based on the information given in the selectee's original application. Total dollar amounts requested in the exhibits should match total dollar amounts requested in the summary budget submitted with the original application. Project site addresses should match project site addresses submitted in the original application. If any changes are made to the original application during completion of the technical submission document, the selectee should submit a written explanation and request for approval of the changes, along with the new exhibits and/or sections of the original application, which reflect the changes. If a change is made during the HUD Field Office technical submission review process, selectees must complete new exhibits, as appropriate, upon notification by the HUD Field Office.

### **Ongoing Contacts/Questions**

The HUD Reform Act provisions that prohibit application-related contact during the initial application phase do not apply during the technical submission phase. Therefore, selectees may call the HUD Field Office for answers to specific questions about the technical submission document. The technical review may involve ongoing contacts between HUD and selectees to make sure that all requirements are satisfied.

### **Assembly Of Technical Submission Package**

To help HUD expedite the review of the Technical Submission document, it should be assembled in the order as indicated on the cover page. If an exhibit is not applicable, it should be labeled as such. Tabs should be used to mark each exhibit and all pages should be numbered sequentially. Supporting documentation, such as costs estimates, may be referenced in the appropriate exhibit and attached as an appendix.

## **SECTION - H SITE CONTROL**

By law, a project sponsor must have site control within one year after HUD Headquarters notification to the selectee of its conditionally selected award if SHP funds will be used for:

- acquisition, rehabilitation, and/or new construction;
- operating costs for supportive housing;
- supportive services at a site that the sponsor also operates; and
- leasing of units that participants will not eventually control where SHP supportive services will be provided at the site.

If site control is not obtained within one year of the award letter, HUD will withdraw its offer to enter into a grant agreement and the project will not receive funding. HUD cannot extend this deadline.

### **Documenting site control for acquisition, rehabilitation and new construction grants**

A project sponsor must have control of any structure that will receive SHP funding for acquisition and/or rehabilitation for supportive housing or a supportive services facility, or new construction for supportive housing. To document site control, either of the following must be submitted: a deed or other proof of ownership; an executed lease agreement; an executed contract of sale; or an executed option to purchase or lease.

### **Documenting site control for projects requesting real property leasing funds**

A project sponsor is not required to document site control if: (1) during the grant term, the lease will be given to the project participants (i.e., the homeless persons will eventually control the units); and/or (2) the SHP request is just for leasing (i.e., the request is not also for other SHP-related activities for which site control is needed. However, if neither of the above conditions apply, site control must be documented in the form of an executed lease agreement or an executed option to lease.

For project sponsors requesting renewal funding for an existing SHP project, the only documentation of site control required is a certification by the sponsor that it currently has an executed lease agreement for the property(ies) in use to house and/or provide services to homeless persons. A site control certification form for renewals is located in the leasing section of the SHP technical submission document.

### **Documenting site control for projects requesting supportive services funds**

A project sponsor must have site control when SHP funds are received for supportive services at a site operated by the project sponsor. Acceptable forms of site control are an executed lease agreement, a deed or other proof of ownership, an executed option to purchase or lease, or an executed contract of sale.

For project sponsors requesting renewal funding for an existing SHP project, the only documentation of site control required is a certification by the sponsor that it currently has a deed or other proof of ownership, or an executed lease agreement for the property(ies) in use to provide services to homeless persons. A site control certification form for renewals is located in the leasing section of the SHP technical submission document.

## **Documenting site control for projects requesting operating funds**

A project sponsor must have site control when SHP funds are requested for operating costs for supportive housing. Acceptable forms of site control are an executed lease agreement, a deed or other proof of ownership, an executed option to purchase or lease, or an executed contract of sale.

For project sponsors requesting renewal funding for an existing SHP project, the only documentation of site control required is a certification by the sponsor that it currently has a deed or other proof of ownership, or an executed lease agreement for the property(ies) in use to provide housing for homeless persons. A site control certification form for renewals is located in the leasing section of the SHP technical submission document.

## **SECTION I - GRANTEE RESPONSIBILITIES**

States, local governments, nonprofit organizations, and public housing agencies may apply for SHP funds in the annual Continuum of Care Homeless Assistance competition. If the applicant is awarded funds, it becomes an SHP grantee with responsibility for ensuring the grant is carried out in accordance with the application and SHP requirements.

### **Grantee, project sponsor, and lead agency duties**

The grantee is a direct recipient of the HUD award. The grantee signs a grant agreement with HUD and receives funds directly. Sometimes the grantee itself carries out the day-to-day implementation, operation, and administration of the project. A grantee may carry out the entire project itself or it may arrange for elements of the project to be carried out by other public or private providers.

In other instances, a grantee may act as a lead agency when it administers one or more projects through project sponsors. The lead agency signs the grant agreement for each project awarded, and it receives funding directly from HUD for distribution to project sponsors. The lead agency has the contractual responsibility for ensuring that the project described in the application and technical submission is successfully carried out. A lead agency's responsibility encompasses oversight for every aspect of the project, including ensuring funds expended are for eligible activities.

A project sponsor carries out the project described in the application and technical submission. Project sponsors receive grant funds to pay project expenses indirectly through their lead agency. They make requests for funds and submit annual reports and requests for any program changes to the lead agency for consideration. HUD recommends that a subrecipient agreement be signed by both parties.

It is the responsibility of the lead agency to process funding requests expeditiously and to contact the local HUD field office on any project changes or issues. Specific goals and activities for each project, as well as record keeping and reporting responsibilities, should be set out clearly in the subrecipient agreement.

### **Requirements in a grant agreement**

A grant agreement is the contract between the grantee and HUD concerning an SHP project. The grant agreement is signed by the local HUD field office and the grantee. It dictates project activities and has these elements:

- Common elements -- Items common to all SHP grants are contained in the first several pages. These pages define the parties entering into the contract, project and grantee identification numbers, amount of the SHP award by activity category, and sanctions, which HUD may take for nonperformance.
- Application - The application submitted through the competitive process provides the basic information on what activities will be carried out, how many persons served, etc. HUD may issue comments and/or conditions to an application whenever deficiencies are noted during the competitive review process

- Certifications - Inside the initial application are several pages of certifications which the Chief Executive Officer of the applicant organization signs. These bind the grantee to compliance with other Federal requirements, such as fair housing and civil rights.
- Technical submission - These exhibits are completed by the selectee following award announcement but prior to grant agreement. They establish the budget lines for SHP-funded grant activities.
- SHP regulations - Attachment 1 of a grant agreement is a copy of the SHP regulations applicable to the project.
- Amendments - Section 583.405 allows necessary changes to the project under certain circumstances. If substantial changes are needed, the grantee must request approval of a grant agreement amendment from HUD in writing prior to initiating the change.

### **Informing HUD of address and personnel changes**

Periodically, a grantee or project sponsor will move, have personnel changes, or an agency name change. These changes should be sent to the local HUD Office using the HUD Form 27056, Change of Address Request for processing. For a copy of this form, please contact your local HUD Office.

Additionally, when significant staff or board of director changes occur, a grantee sends the local HUD Office an update. This ensures that mail is sent to the appropriate individual. If a change involves financial access, a grantee should contact the local HUD Office for the forms required for transferring financial responsibility.

### **Communications with HUD**

All issues requiring a written response should be submitted in writing to the local HUD office. For lead agencies, HUD is your direct contact for correspondence. Project sponsors communicate their requests through the lead agency.

The key to expediting correspondence with HUD is the inclusion of the project grant number as a means of reference. This is especially critical for grantees with multiple project sponsors or projects involving more than one HUD program. A secondary benefit of identifying the grant is the assurance that the letter will be filed correctly for future reference. Please send correspondence requests to the Director of Community Planning and Development (CPD) at the local HUD Office. You may want to add an "Attention" line, indicating the primary CPD contact.

Facsimiles should be addressed in the same manner as regular HUD correspondence. Be sure to include the grant number. Again, you may add an "Attention" line, indicating the primary CPD contact. Electronic messages are handled somewhat differently from regular mail in that they are not normally tracked or assigned a response date. For this reason, if you are requesting a written response to your fax, you should indicate the need for a written response and follow-up the fax with a letter.

### **Recordkeeping**

All grantees need complete, up-to-date project records and written procedures used in carrying out the project itself and paying project expenses. The following offers recommendations in those areas:

- Written procedures for –
  - Duties of key employees
  - Organizational chart showing lines of responsibility
  - Directions for recording financial transactions, including approval authority
  - Maintenance of accounting records
  - Record retention and security
  - Cash management
  - Property controls
  - Procurement
- Project documentation to demonstrate
  - Participant eligibility, income and rent calculations, service provision
  - Match for acquisition, rehabilitation, new construction, operating and supportive service grant funds
  - Compliance with other Federal requirements, such as lead-based paint or relocation
- Financial documentation to demonstrate –
  - Eligibility of project expenses
  - Adequate internal controls
  - Timely use of cash from the SHP grant
  - Compliance with procurement standards
  - Compliance with audit requirements
  - Reporting

Grantees must report on their progress each year in the Annual Progress Report. These APRs are submitted to the HUD field office within 90 days of the end of the project's operating year.

### **Tracking for lead agencies**

Since lead agencies are responsible for their project sponsors' grants, it is recommended that they maintain up-to-date and thorough information on the projects. The following offers some suggestions:

**Tracking system** - This master file should contain information tracking the status of each project from notice of award through technical submission, grant agreement, development activities, start of operations, amendments, end of operations, and renewal. It should also show dates of submission of APRs, audits, and required monitoring remedies/sanctions. (See more discussion below.)

**Project Grant File** - One file is used for each project. Items such as the original application, HUD award notification letter, technical submission, grant agreement (with regulations attached), subrecipient agreement, any amendments, site control documentation, any appraisals, and correspondence are in this file.

**Project Monitoring File** - One file is used for each project. This file contains the project's narrative from approved application, organizational chart, monitoring findings and responses, APRs with associated correspondence, and any project-specific policy and procedure information.

Following a monitoring visit, the lead agency needs to track violations or deficiencies in the tracking system and insert documentation in the project's monitoring file. In the tracking system, tracking elements could, at a minimum, include:

- The reviewer's name
- Grantee name and number
- Date of on-site visit
- Areas of compliance selected for review
- Date of final assessment report
- Findings and issues to resolve

A lead agency also needs to track the receipt of APRs and their approvals. Elements could, at a minimum, include:

- Grantee name and number
- Operating start date
- Date of reminder notice
- APR due date
- Date of overdue notice, if applicable
- Date received
- Dates of any interim correspondence regarding requests for additional information, if applicable
- Date of approval letter
- Date APR was submitted to local HUD office

## SECTION K - CALCULATING RESIDENT RENT

The Supportive Housing Program (SHP) allows grantees to charge participants rent under specific guidelines. At the grantee's discretion, rent may be charged but may not exceed certain specified amounts, which are outlined in 24 CFR 583.315. This section provides guidance for grantees in calculating rents. This section:

Want an Excel Worksheet to calculate the rent?

### Definition of Resident Rent

Resident Rent is the higher of:

1. 30 percent of monthly-adjusted income;
2. 10 percent of monthly gross income;
3. Welfare rent (if applicable in your state; if unsure, check with the HUD Field Office)

Grantees are not required to charge participants any rent. However, if the grantee decides to charge rent, the worksheet will take you through the steps to arrive at the maximum rent.

Use the following worksheet to determine resident rent:

### RESIDENT RENT CALCULATION WORKSHEET

1		Annual Income from all sources (see Inclusions section)
2		Income Exclusion (see Exclusions section)
3		Annual Income (subtract line 2 from line 1)
<b>Calculating Adjusted Income</b>		
<b>Dependent Allowance</b>		
4		Number of Dependents
5		Multiply line 4 by \$480
<b>Child Care Allowance</b>		
6		Anticipated Unreimbursed Expenses for Care of Children
<b>Disabled Assistance Allowance</b>		
7		Disabled Assistance Expenses (see Adjustments Section)
8		Multiply line 3 by 0.03
9		Subtract line 8 from line 7
10		Family Member Earnings which were dependent on the disabled assistance expenses
11		Lesser of lines 9 and 10
<b>Medical Expenses/Elderly Family Allowance</b>		
12		List Total for Medical Expenses (see Adjustments Section)
13		If line 9 > 0, enter amount from line 12; otherwise, add lines 7 and 12 and subtract line 8
14		Elderly/disabled family allowance (enter \$400 if applicable)
<b>Adjusted Income</b>		
15		Total Income Adjustments (add lines 5, 6, 11, 13, 14)

16		Adjusted Income (subtract line 15 from line 3)
<b>Resident Rent Determination</b>		
17		30% of Adjusted Monthly Income (Divide line 16 by 12 and multiply by 0.3)
18		10% of Monthly Income (Divide Line 3 by 12 and multiply by 0.1)
19		Welfare Rent, if applicable (contact local Field Office)
20		Enter the largest of line 17, 18, or 19 This is the maximum amount per month that may be charged for resident rent.
<b>Determining Resident Rent for Units where Utilities are not Included in Rent</b>		
21		Utility Allowance (contact local Field Office)
22		Resident Rent (subtract line 21 from line 20)
23		Utility Reimbursement (only if line 22 < zero)

**Annual income includes:**

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including lump sum payment for delayed start of a periodic payment;
3. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
4. Welfare assistance. Welfare or other payments to families or individuals, based on need, that are made under program funded, separately or jointly, by Federal, State or local governments (e.g., Social Security Income (SSI) and general assistance available through state welfare programs)
5. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
6. Net income from the operation of a business or profession;
7. Interest, dividends, and other net income of any kind from real and personal property;
8. All regular pay, special pay and allowances of a member of the Armed Forces, except special hostile fire pay.

**Income That Must Be Excluded**

**Annual income does not include:**

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone);

3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property;
4. Amounts received by the family that are specifically for, or in reimbursement of the cost of medical expenses for any family member;
5. Income of a live-in aide as defined in Sec. 813.102;
6. The full amount of student assistance paid directly to the student or to the educational institution;
7. Amounts received under training programs funded by HUD;
8. Amounts received by a disabled person that are disregarded for a limited time for purposes of SSI income eligibility and benefits because they are set aside for use under a Plan for Achieving Self-Support (PASS); or
9. Amounts received by a participant in other publicly assisted programs, which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
10. A resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring lawn maintenance, and resident initiatives coordination. No resident may receive more than one such stipend during the same period of time;
11. Compensation from state or local employment training programs and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for a limited period as determined in advance;
12. Temporary, non-recurring or sporadic income (including gifts);
13. For all initial determinations and reexaminations of income carried out on or after April 23, 1993, reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era
14. Earnings in excess of \$480 for each full time student 18 years old or older (excluding the head of household and spouse);
15. Adoption assistance payments in excess of \$480 per adopted child;
16. Deferred periodic payments of SSI income and social security benefits;
17. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;

18. Amounts paid by a State agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home;
19. Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that included assistance under the U.S. Housing Act of 1937:
  - (a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017(b));
  - (b) Payments to volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.C.5044, 5058);
  - (c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626);
  - (d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
  - (e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
  - (f) Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552(b));
  - (g) Income derived from the disposition of funds of the Grand River Band of Ottawa Indians (Public Law 94-540, 90 Statute 2503-2504);
  - (h) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C.1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117);
  - (i) Scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs that are made available to cover the costs of tuition, fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of a student at an educational institution (20 U.S.C.1087uu);
  - (j) Payments received from programs funded under Title V of the Older Americans Act of 1965 (U.S.C. 3056(f));
  - (k) Payments received after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.); and
  - (l) Payments received under Maine Indian Claims Settlement Act of 1980 (Pub.L. 96-420, 94 Statute 1785);
  - (m) Earned income tax credit refund payments received from the Internal Revenue Service on or after January 1, 1991. Payments may be received in a resident's regular pay or as a

single sum payment;

- (n) Payments received as AmeriCorps Living Allowances (29 U.S.C. Sec.1552);
- (n) Payments received under WIC-Supplemental Food Program for Women, Infants, and Children;
- (p) Payments received under the National School Lunch Program (42 U.S.C. 175-176);
- (q) Payments received under the Child Nutrition Act (42 U.S.C. 1771-1778);
- (r) Payments received under the Child Care Block Grant Act of 1990.

### **Adjustments to Income**

**Dependent Allowance:** \$480 must be deducted for each dependent. Dependents include household members who are under 18, handicapped, disabled, or full-time students, but not any of the following: the family head, spouse, or foster children.

**Child Care Allowance:** Reasonable childcare expenses anticipated during the period for children 12 and under that enable a household member to work or pursue further education are deducted. The amount deducted for childcare to enable a person to work may not exceed the amount of income received from such work. In addition, childcare expenses may not be deducted if the individual is reimbursed for these expenses.

**Disabled Assistance Allowance:** The disabled assistance allowance covers reasonable expenses anticipated during the period for attendant care (provided by non-household member) and/or auxiliary apparatus for any handicapped or disabled household member that enables either that individual or another household member to work. The amount of expenses that exceeds three percent of annual gross income is deducted, provided the resident is not reimbursed for the expenses and the expenses do not exceed the amount earned by adult household members as a result of the disabled assistance.

**Medical Expenses Allowance:** The amount that may be deducted for anticipated medical expenses not covered by insurance or unreimbursed, generally equals the amount by which the sum of disabled assistance expenses, if any, as described above, and medical expenses exceeds three percent of annual income.

**Elderly/Disabled Family Allowance:** A \$400 per elderly or disabled family allowance is provided to any family whose head of household, spouse, or sole member is at least 62 years old or is handicapped or disabled.

### **General Topics Regarding Resident Rent**

**Review of Income:** In order to determine the correct rent payment, residents' income must be reviewed. Their income must be reexamined at least annually. In addition, if there is a change in family composition (e.g., birth of a child) or a decrease in the resident's income during the year, an interim reexamination may be requested by the resident and the resident rent adjusted accordingly. Residents who receive an increase in income need not have their rent increased until the next scheduled (annual) reexamination. Residents must agree to supply such certification,

release, information, or documentation as the grantee judges necessary to determine the resident's income. Self-declaration may be used only if there is no other means of verification available.

Maximum or a minimum rent that can be charged: The United States Housing Act of 1937 states that resident rent must be the highest of either 30 percent of monthly adjusted income, 10 percent of monthly income, or, under certain circumstances, a locally-designated portion of public assistance. This standard sets an exact rent; there is no maximum or minimum per se. See section 1 (Purpose) for the SHP exceptions. However, see section 3.a.(4) for information on P.L. No. 104-99.

Use of income earned through participation in a training program: Income earned through training programs should be excluded if the training program is: funded by HUD (including training provided by HUD grantees and sub-grantees using HUD program funds); is funded through the Job Training Partnership Act (JTPA), including AmeriCorps Living Allowances; or is funded by State or local employment training programs.

Distinguishing between employment that is part of a training program and regular employment: Employment-related activities are considered to be training rather than employment if the work activity is of a time-limited nature and there is a curriculum of activities with discrete goals related to a participant's skill development and employability. Examples of such activities may include on-the-job training for maintenance work, data entry, or food preparation.

Utility Payments: In some circumstances the cost of utilities is not included in the resident rent but is the responsibility of the resident. This usually occurs for those living in units that are individually metered, and residents receive bills directly from the utility company. In such circumstances, the resident's rent would equal the resident's required rent payment less an allowance for reasonable utility consumption. Do not include the cost of telephone service as a utility for this purpose. If reasonable utility expenses alone exceed the amount the resident is required to pay for both shelter and utilities, the resident must be reimbursed for the difference. The attached worksheet reflects this calculation.

Reasonable utility consumption: Local public housing agencies (PHAs) maintain a schedule of utility allowances by housing type for the Section 8 program. To determine the amount to allow for a reasonable amount of utility consumption given a particular type and unit size of housing, the local PHA should be contacted for the schedule of utility allowances.

Eligible child care expenses: Child care expenses can be deducted in full given the following conditions: the child or children are 12 years old and under; the resident is employed or enrolled in school while the dependent is receiving care; the amount deducted as child care expenses is necessary for the resident to work or attend school and the amount necessary for the resident to work does not exceed the amount earned while working; and the resident is not reimbursed for this expense.

Child care payments through program fees: If the amount paid through program fees is for eligible child care expenses, then the amount paid should be deducted from income.

Seasonal employment income: Unless the income is earned by family members younger than 18 years of age, seasonal income is counted just like other wages and salaries. Seasonal income includes, but is not limited to, holiday employment, summer employment, and seasonal farm work. "Temporary, non-recurring income" is income that is not expected to be regularly

available in the future. An example of "temporary, non-recurring income" is income earned by census workers who helped take the 1990 census.

**Fees for food and services:** Participants in programs covered in this document may be charged fees for food and other services in addition to rent, but the fees should be reasonable and not conflict with the goal of helping residents achieve the highest level of independent living possible.

**Sliding scale fees:** Fees may be based either on a sliding scale according to the resident's income or on a fixed basis as long as those fees are reasonable to the income of the resident and in relation to the services provided.

**Fees applied to some residents but not others:** If there is a reasonable basis to charge only some residents, such as services that apply only to some residents, then fees can be selectively applied. However, in most cases if a fee is charged, it would be applied to all residents.

**Saving a portion of the resident's income:** Federal regulations do not prohibit recipients from instituting mandatory savings programs. However, such programs, if adopted, should be applied to all residents. In addition, recipients should be aware that savings plans may result in asset levels that could jeopardize residents' eligibility for benefits such as AFDC, SSI and general assistance. Recipients may want to consult with their local public welfare office to discuss ways to implement savings programs without jeopardizing benefits available to their residents.

**Medical expense allowance:** Medical expenses can only be deducted if the head of household, spouse or sole member is at least 62 years of age, handicapped or disabled. In addition, only medical expenses in excess of 3 percent of annual income that are not reimbursed may be deducted. The amount deducted depends on the amount of handicapped assistance expenses as described in the Adjustments section.

**Typical handicapped assistance expenses:** Typical handicapped assistance expenses include specially equipping an automobile so that a household member can drive to work or paying for in-home attendant care of a handicapped child so that an adult member can work.

**Earned income tax credits:** The amount of income included in the residents' pay that is attributed to an earned income tax credit will be listed separately on their pay stubs. It will be the same amount in each check.

**Training:** If the training is provided using funds available through a grant, it is considered HUD-funded training, and income received from such training may not be counted as income when calculating resident rent payments.

**Resident rent be used to pay expenses other than operating or leasing costs:** Rental income may be used for expenses other than operating or leasing costs at the recipient's discretion. For example, the residents' rent could be saved to be used to help them make the transition to permanent housing and greater independence.

## **SECTION N - ANNUAL PROGRESS REPORT**

This section will describe the Annual Progress Report (APR) and how it can be used as a tool for grantees, field offices, and headquarters to assess the progress of grantees in an operating year. Changes in the APR are the result of recent revisions in the APR format. The improved format is now available in HUD Clips - Select forms, then APR form number 40118.

The purpose of the Annual Progress Report is to track program progress and accomplishments in HUD's competitive homeless assistance programs. The APR provides the grantee and HUD with information necessary to assess each grantee's performance.

### **Components of the APR**

Basic Information - the APR collects general project information, including the dates of the operating year, the program type and component, and the goals of the project. For the Supportive Housing Program, the operating year is determined by when participants first receive housing or services in the project. This should coincide with the first draw of operating, leasing, or supportive services funds. Grantees should complete all questions, unless a written agreement has been reached with the HUD Field Office concerning which questions can be answered using estimates, or in rare instances, skipped.

- Participant Entry Information - this section contains information, such as demographic and special needs information, about the participants in the project.
- Participant Exit Information - this section contains information about the participant's income and the housing secured upon exit from the project.
- Project Information - this section documents financial information, such as match and project expenditures.

### **History of the APR**

The Supportive Housing Demonstration Program (SHDP) enacted by Congress in 1987, was the predecessor of the Supportive Housing Program. The SHDP program used the Grantee Annual Report (GAR) to document grantee progress. When the Supportive Housing Program was created in 1993, the APR became the reporting mechanism for grantee progress. Currently, all grantees should be using the APR to report their progress.

The regulatory authority to collect the information in the APR is contained in the program rule at 24 CFR 583.300(g), which states that "each recipient of assistance under this part must keep any records and make any reports (including those pertaining to race, ethnicity, gender, and disability status) that HUD may require within the time frame required."

In June, 2000, HUD introduced a revised APR. Grantees are encouraged to immediately begin using this improved version. While the new APR contains a substantially enhanced format, it continues to focus on program goals – assisting participants to obtain or remain in permanent housing, increase skills and income, and attain greater self-determination. Grantees will be able to shift quickly to the new format.

### **Cycle of the APR**

When grantees are awarded funding by HUD, they should receive a copy of the APR at their start-up conference. The grantees are then aware of the information that they will be responsible for reporting on to HUD. After the end of the operating year, the grantee has 90 days to submit its APR to the HUD field office.

If the APR has not been submitted after 110 days, an "edit" in the LOCCS system will not allow the grantee to draw funds. The Field Offices remove the "edits" in the LOCCS system when the APR arrives and is approved.

The field office reviews the APR, seeking additional information or revisions as necessary from the grantee. This is a critical step in ensuring that project goals are being met and that correct information will be entered in a central database. The verification of the data can be done with the use of the original grant application and the technical submission document. When the APR is found acceptable, the APR is entered in the grantee file, where it can be referred to for monitoring purposes. A copy of the APR is sent to headquarters.

Headquarters enters the data into a data warehouse, and is able to use this information to respond to Congress and the general public, as well as to field office requests, regarding the implementation of the program.

### **Reporting on a partial-year in the APR**

The APR is organized on an operating year basis. If a project receives an extension, then an APR is submitted for the operating year and another APR is submitted for the extension period.

To complete the APR for an extension, a grantee should--

- Indicate on the cover page of the APR that the APR is for an extension period
- Enter the beginning and ending dates of the extended period on the cover page and circle the number indicating the SAME operating year for which this is an extension
- Report on the partial-year term in the APR itself

### **Annual Certification for Certain Projects**

Grantees that received SHP funding for new construction, acquisition, or rehabilitation are required to operate their facilities for 20 years. They must submit an APR 90 days after the end of the first operating year and any year in which they use SHP funding for leasing, supportive services, or operations. For years in which they do not receive SHP funding, they must submit an Annual Certification of Continued Project Operation throughout the 20 years (contact local HUD Field Office).

Annual Certification of Continued Project Operation

Supportive Housing Program

Project Number: \_\_\_\_\_

Project Name: \_\_\_\_\_

Operating Start Date: \_\_\_\_\_

Grantees that received Supportive Housing Program funding for new construction, acquisition, or rehabilitation are required to operate their facilities for 20 years.

I, \_\_\_\_\_, certify that the facility that received assistance for acquisition, rehabilitation, or new construction from the Supportive Housing Program has operated as a facility to assist homeless persons from \_\_\_\_\_ (mo/yr) to \_\_\_\_\_(mo/yr). I also certify that the grant is still serving \_\_\_\_ number of persons at \_\_\_\_\_ (site address) and all the requirements of the grant agreement are being satisfied, including following the Supportive Housing Program regulations.

---

(Signature)

(Title)

(Date of Certification)

## **SECTION P - TECHNICAL ASSISTANCE**

Technical Assistance (TA) is available for the planning and development of Supportive Housing Program projects and for Continuum of Care systems.

### **Technical Assistance Definition**

Technical Assistance is used to increase the level of expertise to grantee and project sponsors. This is done by identifying and sharing information on best practices, providing critically needed training, and funding on-site consultations and other activities to improve our programs. The focus of SHP technical assistance is to help states, localities, and nonprofit organizations to better plan, develop, and administer their SHP projects and Continuum of Care strategies.

### **Receiving Technical Assistance**

There are two types of funding for TA: local, and national. For local TA funding, grantees should consult with their local HUD field office. For national TA funding, grantees should first consult with their local HUD field office, after which the field office will refer the grantee to a College of Experts representative. The College of Experts is a cadre of expert practitioners who can assess the need, and provide the necessary technical assistance.

#### **Examples of Technical Assistance**

Often, the technical assistance given to an individual grantee can be replicated for other grantees having similar problems or needs. National TA normally results in a product or a training session intended for broad use. Examples of such recent technical assistance products include:

Guide to Continuum of Care Planning and Implementation, along with a Trainer Guide to facilitate the design and implementation of Continuum of Care systems.

In From the Cold: A Tool Kit for Creating Safe Havens for Homeless People on the Street

What Works!: Job Strategies for Homeless People. This is a video and training package for integrating job strategies and services into supportive housing.

Want to view these products?

## SECTION Q - PROJECT RENEWALS

The Supportive Housing Program offers renewal grants to those with initial grants funded through the Supportive Housing Program and its predecessor programs, the Supportive Housing Demonstration Program and Supplemental Assistance for Facilities to Assist the Homeless or SAFAH. Since 1997, applying for an SHP renewal grant has been part of the annual national competitive award process.

This section describes:

### **Description of a renewal grant**

A renewal grant is one, which gives SHP assistance to a project that received SHP, SHDP, or SAFAH funding over the past year(s). The renewal grant funds the continuation of the same activities as in the initial grant. The initial grant is eligible for renewal depending on when its term expires.

When the initial grant ends and the renewal begins

Here is how the term of the initial grant is calculated. Many grants begin with acquisition, rehabilitation, or new construction, which must be completed before term activities can begin. Term activities are those, which are funded for a period of time specified in the project's grant agreement -- such as three years.

Term activities are leasing, operating, and supportive services. NOTE: The term of a grant does not begin until the grantee begins one of those three activities. The term ends when the specified time period for the grant elapses. For example, a 1996 SHP grant was awarded with a three-year term. The term ends three years from the time the grantee begins leasing, operating or supportive services activities -- not three years from the beginning of any acquisition, rehabilitation, or new construction activities.

A grantee sets the grant term when entering the "Operating Start Date" in the LOCCS financial system. It should be done carefully. Some grantees enter incorrect start dates, causing them much grief in the later years of their grant. If an incorrect date is set, the grantee will want to contact their local HUD field office to get the situation corrected.

In absence of any other information, HUD looks at the date when a grantee first drew down funds for leasing, operating, or supportive services activities, because that date usually coincides with the start of operations. This is a rough estimate of when the term began.

However, the grantee and the local HUD office must agree on what date the term began and when it will end. The renewal grant would start on the day following the completion of the initial grant. Any funds remaining in the initial grant would be returned to HUD.

Contact your local HUD field office to confirm when your project is eligible for renewal.

### **How to apply for a renewal grant**

Since 1997, grantees apply for renewal as part of the Continuum of Care Homeless Assistance national competition. Grantees apply in the year before their initial grant expires. For example, a project expiring in calendar year 2000 would be eligible in the 1999 competition. In this way, all

projects, which are successful in the competition, have continuity; projects, which are unsuccessful, have time to seek other funding.

Only the current grantee can be an applicant for a renewal. In order to identify the current grantee as the applicant in the competition, a Standard Form 424 must be included as part of the application. Please note that project sponsors and other entities that are not the grantee cannot apply for renewal. The law allows only the grantee to apply.

Renewal applicants fill out Exhibit 2 - Supportive Housing Program of the HUD application, which is the same exhibit that new SHP project applicants fill out. Exhibit 2 does contain a specific budget request form for renewal applicants. Renewal projects, just like all other projects, must meet all project eligibility, capacity, and quality standards as identified in the NOFA or they must be rejected. If awarded funds, applicants will complete a Technical Submission prior to signing a grant agreement.

A renewal project, like any other project, should be prioritized as a logical outcome of a community's Continuum of Care planning and application process and based on a gaps analysis and the project's ability to fill (continue to fill) a gap. To the extent a community wants to have previously funded projects renewed, it should assign them top priorities on the Project Priorities Chart in exhibit 1 of the application.

### **How Much SHP to Request**

Renewal funding for expiring SHDP, SAFAH, and SHP projects is available only for leasing, supportive services, operations, and administrative costs. Of these activities, a grantee may only request funding for the activities, which were funded in the initial project.

Applicants have the flexibility to request a grant term of one, two, or three years. Applicants proposing renewal projects may wish to consider "tiering" the request by establishing each year of the maximum three-year term as a separate project priority.

Under the tiering approach, the first year could be given a very high priority placement at a requested funding level that is one-third of the total renewal request over three years. The second and third year renewal term could then be given lower project priority placements. The applicant would fill out a separate project exhibit for each tier. Of course, the applicant could copy the narrative portions of the project application (sections A and B) and insert those in the tiered project exhibits.

### **State renewal projects**

In some initial grants, a State is the grantee. For renewal purposes, a State's renewal project would need to be part of the local Continuum of Care and entered on the local community's priority list.

If the State's grant is being carried out in various locations, a State may need to divide the renewal request among several Continuum of Care priority lists. For example, a State may have an expiring grant, such as a SAFAH grant, which is being carried out in three places -- two cities with their own Continuum of Care strategies and one area, which is part of the State's Continuum of Care strategy. In that case, the first two projects would appear on those communities' priority

lists with the State as the applicant. The third project would appear on the State's priority list with the State as the applicant.

A State with an SHP, Transitional Housing, or 1990 SAFAH grant may choose to request HUD approval for a change of grantee to a project sponsor, or another entity, who is eligible to be a grantee (has sufficient capacity, is either a private nonprofit organization or governmental entity, etc.). The State would request that the HUD field office process an amendment to the existing grant to change the grantee. Neither the project sponsor nor the other entity could apply for renewal without an approved grant amendment, since it would not be the approved grantee for the current project.

State grantees cannot be approved for a change of grantee under the Permanent Housing for Handicapped Homeless and 1991 and 1992 SAFAH programs, since only States were eligible applicants. However, once a grant is renewed under SHP, the State may request HUD approval for a change of grantee to a project sponsor, or another entity, that is eligible to be a grantee (has sufficient capacity, is either a private nonprofit organization or governmental entity, etc.).

### **Extensions to manage renewals**

HUD allows grant extensions as a way to manage the demand for renewal funding. In any one year, a community may have a concentration of projects eligible for renewal. Moving some of the renewal demand into the next competition may be part of a strategy for managing that demand.

Grantees that have funds to carry them into the next calendar year have the option of extending their grant term for up to one year, subject to HUD approval. Grantees will need to request that their local HUD field office process a grant agreement amendment. With the request for an amendment, grantees must submit information to the field office demonstrating that they have the financial resources to carry out their program in accordance with their grant agreement for the extension period.

Extensions are granted only to manage the renewal demand. Extensions are not given merely to use SHP grant funds left over after the term of the grant has ended. Applicants apply in the national competition for SHP grants for one, two, or three year terms. At the end of the term, any remaining SHP grant funds are returned and used in the following competition.

### **Special categories**

#### **Capacity building and prevention**

The 1994 appropriation allowed HUD to award SHP funds in rural areas for capacity building and homeless prevention. Since no subsequent appropriations have an allowance for funding these activities, HUD cannot renew capacity building and homeless prevention activities.

However, HUD has determined that such grantees may include the amounts for these activities when developing their SHP renewal requests. To do so, the prevention and capacity building amounts would be included on the supportive services line of the application. This would increase the basis of the calculations for the SHP renewal request, but new or expanded eligible supportive service activities would have to be substituted for the prevention and capacity building activities.

## **Reductions in scope**

If less than the maximum amount of HUD funding is requested, you may reduce or eliminate elements of the project. However, be aware that this project, as well as all projects, must meet all project eligibility and quality standards as identified in the NOFA.

If the scope of a project is reduced, clearly indicate and fully describe in the application's Project Narrative the following: Why it is necessary to reduce the scope of the project; which elements (housing units, services, etc.) of the project will remain and which will be reduced or eliminated; and the number of persons served compared to the number in the original grant.

## **Failure to renew**

The need for the continuation of previously funded projects should be carefully considered in the local Continuum of Care planning process. HUD does not require that a project be proposed for renewal or given a higher priority than other projects. However, HUD is very concerned that the on-going housing needs of homeless persons currently being served by existing projects be taken into consideration. The Continuum of Care narrative in the application submission should describe how renewal needs were fully considered and satisfactorily addressed either through inclusion in the community's high priority funding requests or through some other means. To the extent that the community's application does not provide such a description, the Continuum of Care score may be negatively affected.

If a grantee fails to apply for an SHP project renewal, or if the renewal project fails to receive funding in the competition, the project would not be eligible for renewal in the next year's competition unless the grantee submits, and is found eligible for, an extension of the project's term by the HUD field office. (See above on how to extend your grant.)

In the interim, the grantee will have to secure funding to continue the project. Note that, beginning in 1999, a grantee may use State or local funds as interim or emergency funding as well as any other funds to continue the project and still remain eligible for SHP funding as long as the project term has been extended into the next calendar year.

## SECTION R - GRANT AMMENDMENTS

This section describes how to handle the inevitable changes that occur in SHP projects during the term of the grant. It also lists the procedure for requesting a grant agreement amendment to reflect a change to the original contract. In this section, the term grant agreement and contract are used interchangeably to remind the reader that the grant agreement is a contract between HUD and the grantee.

### **Program changes**

Significant and minor changes are often necessary during the life of an SHP grant. Whenever it is necessary to make changes, the HUD field office needs to be involved - either to be informed of the change or to approve the change, depending on its seriousness.

### **Significant change**

A change is significant when it substantially affects implementation of the project and is a departure from the initial application. The following are examples of significant changes:

- Change in the grantee
- Change in the project site
- Additions or deletions of eligible SHP activities
- Shift of more than 10 percent of funds from one approved SHP activity to another over the life of the grant
- Change in the category or number of participants to be served

### **Minor change**

Minor changes are departures from the initial application that do not substantially affect implementation of the grant. An example of a minor change is a shift of less than 10 percent of SHP funds from one approved SHP activity to another over the life of the grant.

Minor changes do not require prior HUD approval, and no amendment to the grant agreement is necessary. However, the grantee must fully document any changes to its project. The documentation must be available to the field office during on-site reviews or, for remote monitoring, sent to the Field Office if requested.

### **Criterion for approving an amendment**

Field office CPD directors are authorized to approve significant changes in projects and execute grant agreement amendments. In the SHP regulations, approval for a significant change is contingent upon the application ranking remaining high enough after the approved change to have been competitively selected for funding in the year the application was selected.

If a Field Office determines that a proposed change would reduce or lower the quality of the project on any rating factor, the change must be discussed with and concurred on by the SNAPs office in Headquarters. The need for SNAPs' concurrence in these cases is based on the regulatory standard described in the previous paragraph and the fact that competitive selections are made in Headquarters.

## **Procedure for requesting an amendment**

When a significant change is contemplated, a grantee should prepare a written request to the field office. The request should indicate what the change is and the circumstances causing the need for change.

The grantee should also attach revised application or technical submission exhibits reflecting the proposed change, because the application and technical submission are the part of the grant agreement, which set out the scope of the SHP project. In addition, certain changes require additional items to process the request for a change. The most common are described here:

### **Guidance on Common Significant Changes**

#### **Change in grantee**

When the grantee seeks to be released from its obligations under the grant, several documents are needed: a letter from the current grantee indicating its reasons for requesting a change of grantee; a letter from the proposed substitute organization indicating its willingness to become the new grantee and to accept all the responsibilities according to the terms of the current grant; a revised Capacity Exhibit from the application; and private nonprofit documentation where the substitute is a nonprofit organization.

#### **Grantee name change**

When the grantee organization changes its name, the grantee must submit a revised SF-424 and legal documentation confirming the name change.

#### **Change in project site**

For a change in the project site, the grantee must provide evidence of site control and zoning where appropriate; a revised Project Plan Exhibit from the application specifically addressing the housing component; and a revised Certification of Consistency with the Consolidated Plan, if applicable. An environmental review must also be completed according to current requirements.

#### **Change in population served**

When changing the population being served and/or where the homeless population is coming from (e.g., outreach, referral source), the grantee needs a revised Project Plan Exhibit from the application and a revised Targeting Exhibit from the application, if applicable.

#### **Change in number being served**

For a change in the number of homeless persons being served, the grantee needs a revised Project Plan Exhibit from the application and a revised chart showing number of beds, bedrooms and participants.

#### **Shift in SHP funds of more than 10 percent**

When the grantee wishes to shift, over the life of the grant, more than 10 percent of approved funds from one budget category to another, the grantee must provide a revised Project Plan Exhibit from the application and a revised Budget Exhibit. Note that a change in category can also consist of a shift into a new category and not just a shift between authorized categories.

### **Field office procedure for approving an amendment**

All significant changes require HUD approval and are not to be implemented until HUD executes a grant amendment. Field offices process the approvals, taking the following steps, as appropriate.

1. Upon a grantee's verbal request to make a significant change, advise the grantee to submit a written request containing the relevant documentation. (Depending on the nature of the change, a new certification of consistency with the Consolidated Plan may also be required. See 24 CFR 91.)
2. Assess the information and compare the revised exhibits with the initial exhibits to determine whether the proposed change would have lowered the quality of the project. The following are examples of changes that are likely to result in a project of lower quality:
  - Housing or services are of lower quality or quantity than initially proposed
  - New housing or service provider is less experienced than the initial provider
  - Innovative features are eliminated
  - Site is moved to an area of less need
  - Resources from other public or private sources are reduced
  - Costs-effectiveness is reduced.
3. Where these or other changes would lower the original quality, phone or e-mail your SNAPS Contact to discuss the proposed revision of the project, and to determine whether the revision would affect the rating, and, if so, whether the revised rating would still render the project approvable. Document the discussion.

If the application remains competitive for its funding year with the proposed change(s), document that "After a review of the proposed change, the field office and SNAPS staff determined that the application ranking would have remained sufficiently high to have been competitively selected in the year the application was selected for an award." The field office will then process the grant amendment.

If the application does not remain competitive for its funding year with the proposed change, deny the proposed change and so inform the grantee in writing stating the reasons for the denial.

4. If the proposed change(s), in the opinion of the field office, results in an equal or higher quality project, the field office has the authority to make the change without contacting the SNAPS office. The Field Office will then process a grant agreement amendment.

## SECTION S - GRANT EXTENSIONS

An extension means that the grant term is lengthened to allow for the continuation of the project. Term extensions can be given for projects that fall into three categories: (1) to allow a project that applied for renewal funding but was unsuccessful to be eligible for renewal funding in the next competition; (2) to allow a grantee who fails to apply in a competition to be eligible to apply in the next competition; and (3) to respond to an overabundance of renewal requests in the community in a particular year.

As a reminder, extensions are a way to manage renewals; projects cannot be extended merely to spend the remaining grant funds.

### **Extension Provisions**

For SHP grants expiring in a given calendar year, grantees that will have SHP or other funds to carry them beyond that calendar year have the option of extending their grant term for up to one year subject to HUD approval. Grant terms may be extended if:

1. the renewal project fails to receive funding in a competition and wants to become eligible to apply again in the next competition;
2. the grantee of a project currently eligible for renewal fails to apply in a competition but wants to be eligible to apply in the next competition; or
3. there is an overabundance of renewal requests in the community in a particular year.

Grant terms may not be extended for more than one year at a time, although there is no limit on the number of extensions a grant can receive. In addition, extensions for less than a year are acceptable if an entire year is not needed to carry the term into the next calendar year. For example, if a grant term ends in November 2001, it need only be extended for 2 months to carry the grant term into January 2002.

Grantees that seek extensions for projects must commit to maintain the same level of housing and/or services and have the financial resources to continue the program through the extension period. Although a grant can be extended to ensure its eligibility for renewal funding in a given competition year, there is no guarantee that the project will receive additional HUD McKinney Act funds.

### **Financial Resources to be Used During Extension Period**

In order to continue operating an SHP project during the extension period, you may use any type of funds, i.e. Federal, State, local or private funds, and still compete in the next competition. While normally the use of State or local government funds in a project would prevent future Federal funding, as a replacement HUD allows the use of State or local government funds as interim or emergency funding when they are used to continue an SHP project which was unsuccessful in seeking a renewal.

However, such projects must still be approved for an extension so that the term will then expire in the next calendar year.

### **How to Request an Extension**

### Steps for requesting an extension of a Supportive Housing Program grant:

1. Determine when the grant expires. You may contact your HUD field staff to verify the expiration date.
2. Based on the expiration date, determine if there are enough funds to carry you through the operating year and the proposed extension period.
3. If more funds are needed, identify available funding resources and secure these funds.
4. Request an extension in writing from your Field Office. To obtain an extension, grantees must request that their local HUD field office process a grant agreement amendment. With the request for an amendment, grantees must submit information to the field office demonstrating how they fit one of the criteria above and that they have the financial resources to carry out the project fully in accordance with all of the provisions of their grant agreement during the extension period.

### **No Extensions Within the Calendar Year**

The only extensions that HUD allows are those associated with the annual homeless assistance competition. Therefore, HUD does not allow extensions within the calendar year.

Projects cannot be extended within the calendar year merely to spend the remaining grant funds. However, if a grant is extended into the next calendar year so that it can become eligible to apply for renewal in the next competition, grant funds remaining from the current term may be used as a source of funding to continue the project during the extension period.

## SECTION Y- SPENDING AND RECAPTURE OF FUNDS

### **Deobligations and Recaptures**

The terms deobligations and recaptures are used interchangeably. HUD can deobligate or recapture funds that are under contract. According to the regulations and grant agreements, entire grants or portions of grants can be deobligated or recaptured for various reasons as described below. Deobligated funds can be used to fund additional projects in the next year's competition. (They cannot remain in the local Continuum of Care.)

### **Lack of Site Control**

In the SHP program, regulations at 24 CFR 583.320(c) stipulate that "HUD will recapture or deobligate any award.... If the recipient is not in control of a suitable site before expiration of one year after initial notification of the award". This regulation is based upon a statutory requirement found in the McKinney Act and, therefore, cannot be waived. The only time a recipient can continue past one year without having site control is in the rare instance when the recipient had control of a suitable site before the end of the year, but the site control was lost and the recipient had to find a new site.

### **Slow Expenditure of Grant Funds**

HUD regulations provide for possible deobligation if projects do not begin in a timely manner. The SHP regulation at 24 CFR 583.410(c)(1)(ii) states that funds for acquisition, rehabilitation or new construction may be deobligated if the proposed activities do not begin within three months or residents do not begin to occupy the facility within nine months after grant execution. In addition, 583.410(c)(2) states that amounts for leasing, operating or supportive service costs may be deobligated if the proposed supportive housing operations are not begun within three months after the units are available for occupancy.

HUD regularly monitors the spending history of a grantee. If it appears that a grantee is not making drawdowns or exhibits a slow expenditure pattern, HUD contacts the grantee to determine the viability of the project. If there are issues that cannot be readily resolved, HUD may have to deobligate the funds. If the project is progressing and the grantee has failed to make regular drawdowns, HUD encourages the grantee to do so. Operating, supportive services and leasing funds should be drawn down monthly. Some grantees will operate the supportive housing for years using their own funds, and just before the grant expires, begin to make large drawdowns. This method of expending funds is discouraged by HUD.

### **Noncompliance with grant agreement**

The grant agreement specifies reasons for default of the grant, which may result in deobligation of all or a portion of the grant. This could include not carrying out the proposal, or too few persons being served.

In making a decision on deobligation in the above instances, HUD considers whether the delay was due to factors beyond the grantee's control. All decisions regarding deobligation or recapture for slow spending will be coordinated between Headquarters and the Field Office in order to ensure that grantees are treated equally.

**Partial Deobligation - Unspent funds during the grant term**

SHP regulations allow HUD to deobligate parts of grants for acquisition, rehabilitation, or new construction if the total cost of these activities is less than the total cost anticipated in the application. However, before deobligating these funds, HUD ensures that the grantee does not plan to shift the funds into another activity as allowed in section 583.405(a). In addition, funds may also be deobligated if the actual leasing costs, operating costs, or supportive services for that year are less than the total cost anticipated in the application. (24 CFR 583.410(c)(1)(I) and (2)(I)). These funds are not considered surplus until the grant expires, as grantees may roll operating and supportive service funding into subsequent years.

**Leftover or Surplus Funds**

Upon expiration of SHP project grants, unspent funds remaining in the project account of the expired grants are recaptured. Before proceeding with the recapture of any funds, HUD ensures that the grantee has not received a term extension and has made its final draw down for costs incurred during the grant period.