

## FY25 COC COMPETITION

### REALLOCATION & REDUCTION POLICY THE WAY HOME (TX-700)

#### 1. PURPOSE

This policy establishes the rules for **reallocating** or **reducing** renewal projects during the FY25 CoC Program Competition to ensure full compliance with:

- FY25 CoC NOFO
- 24 CFR Part 578
- Steering Committee FY25 directives and competition rules

#### 2. FEDERAL REQUIREMENTS GOVERNING REALLOCATION

##### 2.1 30% PH ARD CAP (HUD REQUIREMENT)

HUD prohibits CoCs from awarding more than **30% of ARD** to PH (PSH + RRH + Joint TH/RRH) in FY25.

##### 2.2 PH PROJECTS OUTSIDE TIER 1 (HUD + LOCAL RULE)

- Tier 1 equals **30% of ARD**.
- Because Tier 1 and the PH cap use the same dollar amount, **any PH project that falls outside Tier 1 is ineligible to remain PH** and must be reallocated.

##### 2.3 RRH CONVERSION REQUIREMENT (STEERING COMMITTEE)

- All RRH renewal projects must reapply as TH.
- All RRH funding is subject to mandatory reallocation.

##### 2.4 RENEWAL PROJECT ELIGIBILITY FOR REALLOCATION

Renewal grants expiring in CY2026 are eligible for reallocation under NOFO Section III.G.3.

#### 3. LOCAL REALLOCATION TRIGGERS

##### 3.1 PH FUNDING ABOVE THE 30% CAP

Any PH dollars that exceed the 30% limit must be reallocated.  
Affected providers may reapply as TH, SSO, or HMIS.

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### 3.2 PH PROJECTS RANKED OUTSIDE TIER 1

Even if total PH dollars do not exceed the cap, lower-ranked PH projects will fall outside Tier 1. Any PH project outside Tier 1 must be reallocated.

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### 3.3 UNDERSPENDING / FINANCIAL UNDERUTILIZATION

Renewal projects that returned **10% or more** of funds to HUD in one or both of the prior two years must:

- Submit a justification letter
- Demonstrate corrective action and improved spend-down

If justification is insufficient, up to **10% of the award** may be reallocated.

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### 3.4 PERFORMANCE OR THRESHOLD FAILURE

Projects may be reallocated or reduced for:

- Poor utilization
- Insufficient supportive services
- Case management capacity issues
- HMIS or data quality problems
- Monitoring findings
- Match failures
- Unresolved compliance issues

## 4. REDUCTION POLICY

A project may receive a partial reduction when:

- Underspending persists
- Enrollment/utilization is significantly below contracted levels
- Services do not meet requirements
- Project performance has declined
- The project has more funding than needed based on outcomes

Reductions are made to preserve project integrity while minimizing disruption to clients.

## 5. PRIORITY USE OF REALLOCATED FUNDS

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Reallocated funds will be used for eligible new projects in the following order:

1. Transitional Housing (TH)
2. Supportive Services Only (SSO), including Outreach
3. SSO Expansion of Current Projects
4. YHDP Replacement (if applicable)

## 6. PROCESS

### 6.1 ASSESSMENT

CFTH will analyze:

- PH cap compliance
- Tier 1 placement
- Underspending history
- Performance metrics and scorecards
- Threshold compliance

### 6.2 NOTIFICATION TO PROVIDERS

Providers will receive written notice of:

- Required reallocations
- Required conversions
- Reductions
- Deadlines
- Technical assistance options

### 6.3 STEERING COMMITTEE APPROVAL

All reallocations and reductions require Steering Committee approval in accordance with conflict-of-interest rules.

## 7. EFFECTIVE DATE

This policy takes effect upon Steering Committee approval and applies to the **FY25 CoC Program Competition only**.