



## FY26 COC COMPETITION

### REALLOCATION & REDUCTION POLICY

#### THE WAY HOME CONTINUUM OF CARE — TX-700

**1. Purpose-** This policy establishes the local process for reallocating or reducing renewal projects during the FY26 CoC Program Competition to ensure alignment with:

- the FY26 CoC Program and YHDP NOFO;
- 24 CFR Part 578;
- The Way Home governance structure;
- Steering Committee directives;
- local competition requirements; and
- the need to use CoC resources in a transparent, fair, performance-based, and system-aligned manner.

This policy supports responsible stewardship of CoC resources and allows the CoC to shift funding from lower-performing, underutilized, underspent, or misaligned projects to eligible projects that better meet HUD requirements and local system needs.

This policy also recognizes **Steering Committee Resolution No. 3**, adopted June 5, 2026, which provides priority consideration for projects submitted during the February 2026 NOFO process that were locally reviewed, met threshold requirements, advanced in good faith, and were not awarded through the FY 2024–25 funding cycle.

## 2. FEDERAL REQUIREMENTS AND FUNDING LIMITS GOVERNING REALLOCATION

### 2.1 Available Funding for New Projects

For FY26, new project funding is limited to the amount available through:

- CoC Bonus;
- DV Bonus, if applicable;
- CoC reallocation;
- DV reallocation, if applicable; and
- YHDP replacement/reallocation processes, if applicable and allowed by HUD.

HUD's FY26 NOFO was released June 1, 2026, and the federal deadline is August 26, 2026. HUD's NOFO also confirms that the CoC Consolidated Application includes the CoC Application, the CoC Priority Listing, and all project applications submitted on behalf of the CoC.

New CoC projects created through CoC Bonus or CoC Reallocation may include HUD-eligible project types allowed under the FY26 NOFO and local competition policy, subject to HUD eligibility, quality threshold requirements, and available funding.

### 2.2 Correct Classification of Reallocation and Bonus Projects



Projects must be correctly identified as CoC Bonus, DV Bonus, CoC Reallocation, DV Reallocation, YHDP Renewal, YHDP Replacement, transition, or other applicable funding type.

If HUD determines that a project has been incorrectly classified or that sufficient funding is not available from the identified source, the project may be subject to HUD reclassification, reduction, rejection, or non-selection. The CoC will review funding source classifications before final submission.

### **2.3 Tiering Requirements**

HUD uses a tiered funding selection process. Higher-ranked projects are assigned to Tier 1 and lower-ranked projects are assigned to Tier 2, based on HUD's FY26 tiering structure and the CoC's Priority Listing. Final Tier 1 and Tier 2 placement will be determined based on:

- HUD's FY26 tiering requirements;
- local scoring and ranking results;
- project performance;
- system-critical functions;
- HUD eligibility and quality threshold requirements;
- Steering Committee direction; and
- local competition policies.

Tier 1 is expected to prioritize high-performing renewal projects and system-critical grants, including HMIS, Coordinated Entry, and other system-level functions, consistent with HUD requirements and local ranking decisions. CoC Planning is not ranked within the competition.

### **2.4 Eligible Renewal Projects for Reallocation**

Renewal projects may be reduced or eliminated for reallocation only if allowed under the FY26 NOFO and applicable HUD requirements.

New projects created through reallocation must meet applicable HUD project eligibility requirements, local threshold requirements, and project quality standards.

### **2.5 YHDP Reallocation / Replacement Restrictions**

YHDP funding must remain dedicated to eligible youth projects, unless otherwise allowed by HUD. CoCs seeking to reallocate or replace YHDP projects must follow the FY26 NOFO and YHDP-specific requirements. YHDP funds may not be used for non-youth projects unless expressly permitted by HUD.

### **2.6 DV Reallocation Restrictions**

DV Bonus and DV Reallocation funding must be used for eligible DV projects and must continue to serve the intended population. DV renewal projects may not be reallocated to create new non-DV CoC projects unless expressly permitted by HUD.



### 3. LOCAL REALLOCATION AND REDUCTION TRIGGERS

Projects may be subject to reallocation or reduction under the following conditions.

#### 3.1 HUD Funding Limits or Competition Requirements

If HUD's FY26 NOFO, e-snaps, or HUD guidance requires the CoC to address funding limits, tiering risk, component eligibility, reallocation requirements, or other competition constraints, the CoC may consider:

- reallocation of funds;
- partial reduction of funds;
- transition to another eligible project type;
- YHDP replacement, if applicable;
- DV reallocation, if applicable; or
- use of CoC Bonus or DV Bonus funds, if available and eligible.

All actions will be taken in alignment with HUD guidance, local competition policies, Steering Committee direction, and conflict-of-interest requirements.

#### 3.2 Projects Ranked Outside Tier 1

Projects ranked outside Tier 1 may be at greater risk of not being funded by HUD and may be considered for:

- reallocation;
- partial reduction;
- transition to another eligible intervention;
- ranking adjustment; or
- additional review.

Final determinations will be based on HUD requirements, project performance, local scoring, system need, and Steering Committee approval.

#### 3.3 Underspending / Financial Underutilization

Projects that return **10% or more** of awarded funds in one or more of the prior two completed performance years may be required to:

- submit a justification letter;
- explain barriers to full utilization;
- demonstrate corrective action;
- submit an updated spending plan; and/or
- participate in technical assistance.

If justification is insufficient or underspending is persistent, a portion of funding may be reduced or reallocated.



### 3.4 Utilization Concerns

Projects may be reviewed for reduction or reallocation if utilization is below contracted or funded levels without sufficient justification. Considerations may include:

- occupancy or utilization rate;
- number of households or participants served;
- leasing or rental assistance utilization;
- staffing capacity;
- referral acceptance and denial patterns;
- project ramp-up or expansion status; and
- documented barriers outside the project's control.

### 3.5 Performance or Threshold Concerns

Projects may be reallocated or reduced due to:

- poor performance outcomes;
- low exits to permanent housing, where applicable;
- high returns to homelessness, where applicable;
- poor utilization;
- insufficient supportive services;
- case management capacity issues;
- HMIS or comparable database data quality concerns;
- failure to participate in Coordinated Entry or approved DV process, where applicable;
- monitoring findings;
- match failures;
- audit concerns;
- unresolved compliance issues; or
- failure to meet local threshold requirements.

### 3.6 Supportive Services Alignment

For FY26, projects may be reviewed for alignment with HUD's supportive services expectations, including whether housing projects can document participant supportive service participation requirements consistent with HUD rules and applicable protections. Projects that cannot document adequate supportive service capacity, participant engagement expectations, or compliance with applicable protections may be subject to technical assistance, correction, ranking impact, reduction, or reallocation depending on severity.

## 4. REDUCTION POLICY

Projects may receive a partial reduction when:

- underspending persists;



- utilization is below funded or contracted levels;
- funding exceeds demonstrated need;
- project costs are not reasonable based on performance or utilization;
- services do not align with project scope or participant needs;
- performance outcomes are not achieved;
- the project cannot document required match or compliance items;
- the project is not feasible at the requested amount; or
- a reduction is necessary to align with HUD or local competition requirements.

Reductions are intended to preserve project integrity when possible while minimizing disruption to participants. Reductions should be based on documented performance, financial, utilization, compliance, or system alignment concerns.

## 5. PRIORITY USE OF REALLOCATED FUNDS

Reallocated funds will be used for eligible new, expanded, replacement, or transitioned projects in alignment with HUD requirements and local system priorities.

Priority uses may include:

- Transitional Housing;
- Supportive Services Only projects, including outreach, recovery, employment, and stability-focused services;
- Coordinated Entry or system access projects;
- HMIS or comparable database projects, where eligible;
- expansion of high-performing projects, where eligible;
- transition of renewal projects to more aligned eligible project types;
- projects serving survivors of domestic violence, dating violence, sexual assault, or stalking, where eligible;
- YHDP replacement or youth projects, where eligible; and
- other eligible project types allowed under HUD guidance and local priorities.

For YHDP or DV-funded projects, reallocated funds must continue to meet the population and funding-source restrictions established by HUD.

### 5.1 PRIORITY CONSIDERATION FOR FEBRUARY 2026 PRIORITY LISTING PROJECTS

Consistent with Steering Committee Resolution No. 3, projects submitted during the February 2026 NOFO process that were locally reviewed, met applicable threshold requirements, advanced in good faith, and were not awarded through the FY 2024–25 funding cycle may receive priority consideration for FY26 CoC Program Competition bonus funding, reallocation funding, or other additional funding opportunities made available to the CoC.

This priority consideration is limited to available bonus, reallocation, or additional CoC Competition funding opportunities and does not exclude or prevent other eligible projects from participating in the FY26 CoC Competition, including renewal, new, expansion, bonus, transition, or reallocation projects.



Any such prioritization remains subject to HUD's FY26 NOFO requirements, local competition policies, project eligibility, available funding, scoring or threshold requirements, and final Steering Committee approval through the FY26 competition process. Priority consideration does not guarantee funding.

## 5.2 PROJECT-TYPE OR APPLICATION ADJUSTMENTS

CFTH, as Collaborative Applicant, may work with applicant agencies to identify necessary project-type, budget, scope, or application adjustments to support FY26 NOFO compliance, local strategy, funding availability, and HUD eligibility.

Adjustments may include alignment with Transitional Housing, Joint TH/RRH, Supportive Services Only, Coordinated Entry, Street Outreach, or other HUD-eligible project models, as allowed by the FY26 NOFO and local competition requirements.

Any project-type adjustment must remain subject to local review, HUD eligibility, available funding, scoring or threshold requirements, and final Steering Committee approval.

## 6. REVIEW OF AGENCIES WITH RECENT REALLOCATION, REDUCTION, OR TRANSITION ACTIVITY

To promote system stability and responsible use of CoC resources, agencies that voluntarily reallocated, reduced, withdrew, or transitioned a project during the most recent CoC competition cycle may receive additional review before being prioritized for new project funding in the FY26 competition.

This review may consider:

- whether the agency is successfully implementing the reallocated or transitioned project;
- whether the agency has unresolved performance, spending, staffing, or compliance concerns;
- whether the new proposal is a direct transition of the reallocated project into a more eligible or more strategically aligned model;
- whether the proposal addresses a clear HUD priority or local system gap;
- whether the agency has the capacity to operate the proposed project; and
- whether prioritizing the project is necessary to preserve system capacity or meet FY26 NOFO priorities.

This review applies to local funding prioritization, not eligibility to apply. All eligible applicants may submit applications; however, new project applications from agencies with recent reallocation, reduction, withdrawal, or transition activity may receive lower priority or may not be recommended for funding if capacity, performance, or implementation concerns remain unresolved.

Exceptions may be considered when:

- the proposed project demonstrates clear and compelling alignment with HUD priorities and system needs;
- the project is a transition of an existing project into a more eligible or more strategically aligned model;
- the agency has demonstrated sufficient capacity and corrective action; and
- the exception is reviewed and approved by the Steering Committee in accordance with conflict-of-interest and fairness requirements.



Any exceptions will be documented, applied consistently, and included as part of the public competition record. This section does not override Steering Committee Resolution No. 3. Projects identified for priority consideration under that resolution may continue to be considered for FY26 bonus, reallocation, or other available CoC funding, subject to HUD requirements, local competition requirements, available funding, and final Steering Committee approval.

## **7. PROCESS**

### **7.1 Assessment**

CFTH will assess projects based on:

- HUD requirements and NOFO eligibility;
- local scoring tools and performance scorecards;
- financial utilization and spend-down;
- project utilization;
- threshold compliance;
- HMIS or comparable database data quality;
- Coordinated Entry participation, where applicable;
- supportive services alignment;
- monitoring or audit concerns;
- system alignment; and
- local priority needs.

### **7.2 Provider Notification**

Providers will receive written notice of:

- proposed reallocations;
- proposed reductions;
- transition or replacement requirements, if applicable;
- reasons for the proposed action;
- deadlines and next steps;
- technical assistance opportunities; and
- any applicable local appeal or grievance process.

### **7.3 Steering Committee Approval**

All reallocation and reduction decisions require Steering Committee approval in accordance with governance and conflict-of-interest policies.

Any priority consideration provided under Steering Committee Resolution No. 3 will be documented as part of the FY26 local competition record and will remain subject to conflict-of-interest requirements.



In circumstances where the Collaborative Applicant or Lead Agency is directly impacted by a proposed reallocation, reduction, or new project funding decision:

- the Lead Agency will recuse itself from decision-making discussions and recommendations related to that project;
- an independent review will be conducted by the Steering Committee or designated conflict-free members;
- final decisions will be made by the Steering Committee in accordance with governance and conflict-of-interest policies; and
- the decision-making process will be documented as part of the official competition record.

All reallocation and reduction decisions will be conducted in a fair, transparent, and documented manner.

#### **7.4 Documentation**

CFTH will maintain documentation of:

- project performance and scorecard results;
- financial utilization and spending data;
- reallocation or reduction rationale;
- provider notices;
- technical assistance offered;
- Steering Committee decisions;
- conflict-of-interest recusals;
- final ranking decisions; and
- required HUD/local competition records.

### **8. EFFECTIVE DATE**

This policy takes effect upon Steering Committee approval and applies to the FY26 CoC Program Competition.

#### **Appendix A: February 2026 Projects Receiving FY26 Priority Consideration**

The following projects were identified in Steering Committee Resolution No. 3 for priority consideration if not awarded through the FY 2024–25 funding cycle:

- **HAAM — Expansion Housing**
- **Family Endeavors — RRH**, subject to any approved FY26 project-type adjustment
- **Beacon of Downtown — SSO / CE / Outreach**
- **HTX H.O.P.E. Haven — SSO / CE / Outreach**
- **CFTH — SSO / CE / Outreach**

Priority consideration does not guarantee funding and remains subject to HUD requirements, local competition requirements, available funding, scoring or threshold requirements, and final Steering Committee approval.