GAO

July 2000

HOMELESSNESS

HUD Funds Eligible Projects According to Communities' Priorities

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Accountability ★ Integrity ★ Reliability

Contents

Abbreviations

COC   Continuum of Care
HUD   Department of Housing and Urban Development
SHP   Supportive Housing Program
SRO   Single Room Occupancy

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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-284896

July 24, 2000

The Honorable Judy Biggert
The Honorable Donald Manzullo
The Honorable Jerry Weller
House of Representatives

The Stewart B. McKinney Homeless Assistance Act, as amended, established a wide range of federal programs to provide a comprehensive package of housing and services to people who are homeless. Several of the McKinney Act programs are administered by the Department of Housing and Urban Development (HUD), and for these programs, in fiscal year 1999, HUD awarded almost $1 billion to states, localities, and organizations to provide housing and services to homeless people. The majority of HUD's McKinney Act funds (about $750 million in 1999) are dedicated to three programs—the Supportive Housing Program, Shelter Plus Care, and Section 8 Moderate Rehabilitation Single-Room Occupancy Dwellings. (App. I describes each of these programs in detail.) Every year, HUD has a national competition to distribute this funding, and communities wishing to participate must submit an application that includes a plan describing their overall strategy for addressing homelessness, called the Continuum of Care, and information on the individual projects for which they are seeking funds. The number of projects that communities included in their applications ranged from over 30 to 3 or fewer for the 1998 and 1999 competitions. Each community is required to rank its projects according to the most important needs of the homeless population in its area. HUD reviews the applications to determine which projects will receive funds for the three programs.

In recent competitions, some concerns have been raised about HUD's decisions on the homeless assistance projects selected for funding. In particular, some communities have contended that HUD was not considering the priorities that they had assigned to projects in their applications. In response to these concerns, you asked us to determine (1) what process HUD uses to select projects for funding, whether this process is consistent with relevant statutes, and how HUD treats new projects and projects that have been funded in the past (renewal projects); (2) the extent to which HUD funds projects that communities rank as high priority under their Continuums of Care, and why some high-priority projects are not funded while some low-priority projects are funded; and (3) whether

communities face any common problems when applying for funds from HUD, and what actions are needed to correct these problems. In order to answer these questions, we reviewed and analyzed information in HUD's databases, surveyed 394 communities that applied for funding in 1999, and interviewed HUD officials and some community representatives.

Results in Brief

HUD selects projects for funding on the basis of a three-step process that is consistent with the requirements in relevant statutes, and it does not distinguish between new or renewal projects. Under the selection process, HUD considers (1) communities' overall strategies for addressing homelessness, (2) whether the projects meet the applicable program standards set in the McKinney Act, and (3) the relative need for homeless assistance funds for each community. HUD ranks all eligible projects and awards grants to these projects in the order they are ranked nationally, until the funds available for the competition are depleted.

Most projects that communities ranked as high priority were awarded funding in 1998 and 1999. For example, in 1999, 92 percent of the projects that were ranked in the top 25 percent of each community's priority list were funded, for those communities that had between 4 and 16 projects on their list. However, for those communities that had three or fewer projects on their priority list, the project identified as the top priority was funded between 34 to 70 percent of the time. Furthermore, in those instances in which high-priority projects were not funded under the competition and low-priority projects were funded, it was always because the higher-ranked projects did not meet the applicable program's eligibility requirements.

Most applicants generally understand the application and paperwork requirements necessary to compete for HUD grants. However, more than one-third of the communities that applied for funds in 1999 had significant problems in understanding the application requirements or completing the paperwork. Representatives of these communities cited a variety of difficulties in completing the application requirements and in getting information from HUD field office staff about the program and these requirements. For example, some communities reported difficulties caused by the time-consuming and resource-intensive paperwork requirements and the lack of clear instructions and definitions, as well as difficulty in understanding HUD's selection process. Community representatives we spoke with suggested a number of actions that HUD could take to alleviate the problems they experienced, such as better training for applicants and

field office staff, more use of technology to provide access to information, and a simpler application format.

Background

In 1993, HUD implemented the "Continuum of Care" strategy to encourage and enable states and localities to develop coordinated and comprehensive community-based approaches for providing the housing and services that homeless people need. This strategy is designed to build partnerships among states, localities, nonprofit organizations, and the federal government, and it encourages the development of long-term solutions for addressing homelessness. A locality's Continuum of Care planning effort brings together a variety of local stakeholders in order to (1) identify the size and scope of the homelessness problem; (2) inventory the assets available in the community to alleviate homelessness; (3) rank the community's needs in order of priority; (4) strategically plan the range of services and programs that should be implemented to address homelessness; and (5) identify leveraging resources, including other federal, state, local, and private funds, that can be used to address homelessness.

HUD uses a "Super Notice of Funding Availability" to announce funding for homeless assistance grants and other HUD programs. This notice includes both general and program-specific application procedures and requirements that applicants must adhere to when applying for funds. A community's application for homeless assistance grants consists of two parts: (1) the Continuum of Care plan, which describes the coordinated process the community used to develop a system for assisting homeless people, and (2) information about each of the projects that are applying for funds from HUD's three homeless assistance programs—the Supportive Housing Program, Shelter Plus Care, and Section 8 Moderate Rehabilitation Single-Room Occupancy Dwellings.

For the 1999 competition, HUD made $750 million available to fund homeless assistance programs under the Continuum of Care process. For this competition, HUD received 423 applications, which included funding requests for about 3,000 individual projects. Applications were received from communities in 48 states, the District of Columbia, Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands.[1] At least one

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[1]Communities in North and South Dakota and American Samoa did not apply for funds in 1999.

application from each of these states, the District of Columbia, and Puerto Rico was awarded grants, and about two-thirds of all the projects that applied for funds were awarded grants. (App. II includes a state-by-state analysis of the number of continuum of care applications and projects that requested and were awarded funds during the 1998 and 1999 competitions.)

HUD's Selection Process Emphasizes Community Planning and Coordination and Is Consistent With Legislative Requirements

HUD's selection process for homeless assistance projects places the greatest value on how well communities have planned and coordinated their system for serving homeless people and is consistent with the criteria established by the McKinney Act. HUD's selection process includes (1) a review of each community's Continuum of Care plan; (2) a review of the eligibility, capacity, and quality (threshold review) of each project competing for funds; and (3) a determination of the relative homeless assistance need of each area that has applied for funds. HUD uses a scoring system to assign points for different parts of the selection process. Specifically, each project receives points for the quality and completeness of its associated Continuum of Care plan and points for need based on HUD's need determination and the priority assigned to the project by the community. These points collectively make up the final score for each individual project. Projects are then ranked by their scores in relation to other projects nationwide and are funded in the order in which they are ranked until the funds available for the competition are depleted. Throughout this process, HUD does not give any special preference to new or renewal projects and instead relies on the priorities set by the communities.

Review of Communities' Continuum of Care Plans

HUD first reviews the Continuum of Care (COC) plan that each community competing for funds submits as part of the application process. The quality and completeness of the community's COC plan is critical for the projects associated with the plan to be competitive with other projects nationwide. This is because the COC plan represents 60 percent of the total points that any project can receive as a result of HUD's review.[2] Every project associated with a particular COC plan will receive the same number of points assigned to the plan. For example, if a community has submitted an application consisting of 10 projects, and the community's COC plan receives 52 of the possible 60 points, then each project included in the application will receive 52 points for its COC score. In reviewing COC plans, HUD evaluates the process that the community uses to develop the plan, the strategy that the community will use to develop a comprehensive service delivery system for homeless people, the reliability of the data used to establish service gaps in the community, the fairness of the process used to establish project priorities, and the extent to which the community has been able to attract other resources that will supplement HUD's homeless assistance grant funds. Generally, applications that are not part of a larger community-based COC strategy (called solo applications) do not receive a favorable COC score, according to HUD.

Under the COC process, HUD requires communities to reach agreement on which projects they consider to be the highest priority for homeless assistance grants before they apply to HUD for funds. This requirement is based on the premise that communities are more knowledgeable about the needs of homeless people in their areas than anyone else, and therefore these priorities should be determined at the local level.

Threshold Review for Project Eligibility

HUD then conducts a review of each project associated with a COC plan to determine whether it meets the eligibility requirements set in the McKinney Act. This review is called a threshold review and involves evaluating the eligibility and capacity of the organizations sponsoring the projects and of the quality of the projects being proposed. HUD reviews each project application to ensure that the sponsors of the project, the population to be

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[2]Most projects can receive a total of 100 points from HUD. However, some projects may receive up to four bonus points—two points for projects that fall within an empowerment zone or enterprise community (which are the 72 urban or 33 rural communities designated as the most economically distressed in the nation) and two points for court-ordered consideration of applications received from projects located in Dallas, Texas.

served, and the proposed activities are eligible under the applicable program rules. HUD also reviews each application to determine whether project sponsors have the necessary knowledge and experience about homelessness in general and have demonstrated the ability to carry out the proposed activities for the project. In addition, past HUD grant recipients must be able to demonstrate that they have implemented prior projects in a timely manner. Finally, HUD reviews each application to determine the quality of the proposed project by reviewing the appropriateness of the proposed housing and services for the populations to be served and the cost-effectiveness of the project, including the costs associated with construction, operations, and administration. Projects that do not pass the threshold review are not considered eligible for funding even though the community's COC plan may have ranked them as high-priority projects. During the 1998 competition, of the 2,644 projects requesting funds nationwide, 196 did not pass the threshold review and were not considered eligible for funds. Similarly, in 1999, of the 3,000 projects requesting funds, 202 did not pass the threshold review.

Determination of Relative Need and National Ranking

For all projects that pass the threshold review, HUD assigns up to 40 "need" points, according to its determination of the community's relative need for homeless assistance, called the pro rata need amount. HUD uses a four-step process to determine a community's pro rata need amount.[3] This process is described in detail in appendix III. The pro rata need amount does not represent a guaranteed level of funding that communities will receive under the competition but is instead the mechanism that HUD uses to assign need points to eligible projects. Based on the pro rata need amount determined for a community, HUD assigns need points to all eligible projects in the order of priority set by the community. The top-priority projects on the community's list receive 40 points each for need; lower-priority projects, 20 points; and the lowest-priority projects, 10 points. See appendix III for a detailed description of how need points are assigned to a community's eligible projects.

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[3] In determining each community's pro rata need amount, HUD makes adjustments to (1) reflect the heavy renewal burden that some community's face and (2) ensure that 30 percent of homeless assistance program funds are used for permanent housing, as required by the fiscal year 1999 and 2000 appropriations acts.

Once need points have been assigned, HUD develops a total score for each project by combining the assigned need points with their related-COC plan score. All eligible projects are then ranked nationwide according to their total scores. HUD selects projects for funding in the order in which they are ranked nationally, until the amount of funding available for the competition is expended. During the 1999 competition, projects that received a total score of less than 76 were not funded, and during the 1998 competition, projects that received a total score of less than 74 were not funded.[4]

Selecting New Versus Renewal Projects

Throughout the selection process, HUD does not give special preference to new or renewal projects but instead bases its award decisions on the priorities that communities assign to projects in their COC plans. Consequently, if a community chooses to place a higher priority on new projects rather than renewal projects, HUD will award funds to the new projects first, as long as they are eligible for funding.

In recent competitions there has been some concern about HUD's not funding successful renewal projects and the overall lack of funds available to meet the growing demand for funds for renewal projects. In recognition of this growing demand, HUD has increased the pro rata need amount for those communities that have proportionately greater funding needs for renewal projects. This adjustment changes the amount of funds that HUD believes these communities need in order to assist their homeless populations and may result in a greater number of projects on these communities' priority lists receiving the maximum number of points for need.

Most High-Priority Projects Are Funded by HUD

For the 1998 and 1999 competitions, most projects that communities ranked as high priority received funding. For example, in 1999, 92 percent of the projects that were ranked in the top 25 percent of each community's priority list were funded, for those communities that had between 4 and 16 projects on their list. In these communities, high-priority projects that did not receive funds usually did not pass HUD's threshold review and were

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[4] In the 1999 competition, HUD reserved the authority to select eligible renewal projects for funding on a noncompetitive basis under the Supportive Housing Program. These projects would normally not be selected as part of the competition because their related COC plans received low scores; however, to be selected on a noncompetitive basis, these projects must have received 40 points for need.

deemed ineligible for funding. Some of the common reasons high-priority projects did not pass the threshold review included (1) the populations to be served or the proposed activities for these projects were ineligible for funding, (2) the sponsor or applicant did not have the capacity to implement the project, or (3) the quality of the project did not meet program standards. In contrast, when high-priority projects in communities that had three or fewer projects in their applications were not funded generally because their COC plans received low scores. Low scores caused these high-priority projects to become less competitive with other projects nationwide. Tables 1 and 2 show the funding decisions for the top-priority projects for COC applications of different sizes for the 1998 and 1999 competitions, respectively.

Table 1: Funding Status of High-Priority Projects, 1998 Competition

Size of COC application	Total number of high-priority projects[a]	Projects funded		Projects deemed not eligible for funding		Projects that were not funded[b]	
		Number	Percent	Number	Percent	Number	Percent
8 COC applications with 30 or more projects	95	93	98	2	2	0	0
25 COC applications with 17 to 29 projects	131	128	98	2	2	1	1
183 COC applications with 4 to 16 projects	305	267	88	13	4	25	8
48 COC applications with 3 projects	48	37	77	1	2	10	21
74 COC applications with 2 projects	74	55	74	3	4	16	22
111 COC applications with 1 project[c]	111	45	41	14	13	52	47

[a]For those COC applications that had four or more projects, we considered the top 25 percent of the projects on the communities' priority lists to be high-priority projects. For those COC applications that included three or fewer projects, we considered the first project on the priority list to be the community's top priority project.

[b]In 1998, in its database, HUD did not distinguish between eligible projects that were not funded and projects that were not reviewed.

[c]In 1998, 111 COC applications were submitted for a single project.

Table 2: Funding Status of High-Priority Projects, 1999 Competition

Size of COC application	Total number of high-priority projects[a]	Projects funded		Projects deemed not eligible for funding		Eligible projects that were not funded		Projects not reviewed by HUD	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
15 COC applications with 30 or more projects	169	165	98	4	2	0	0	0	0
25 COC applications with 17 to 29 projects	131	122	93	7	5	1	1	1	1
187 COC applications with 4 to 16 projects	326	301	92	13	4	8	2	4	1
53 COC applications with 3 projects	53	37	70	4	8	9	17	3	6
57 COC applications with 2 projects	57	35	61	6	11	9	16	7	12
86 COC applications with 1 project[b]	86	29	34	3	3	21	24	33	38

[a]For those COC applications that had four or more projects, we considered the top 25 percent of the projects on the communities' priority lists to be high-priority projects. For those COC applications that included three or fewer projects, we considered the first project on the priority list to be the community's top priority project.

[b] In 1999, 86 COC applications were submitted that included a single project.

In those communities where low-priority projects[5] received funding under the competition and high-priority projects did not, the high-priority projects on the communities' priority lists were ineligible for funding.[6] For example, in 1999, a California community had a total of 16 projects on its priority list. HUD determined that the projects ranked 1 and 14 on the list were ineligible for funding and therefore funded all the other projects on the list except these two. Similarly, a Maryland community requested funding for 47 projects on its priority list. However, HUD determined that eight projects (ranked 17, 19, 21, 22, 29, 40, 42, 47) on the list were ineligible for funding and funded all the other projects on the list except these eight.

Most Communities Experience Few Problems in Applying for HUD Grants

Most communities that applied for funds during the 1999 competition had few, if any, problems in understanding HUD's application requirements and completing the paperwork, according to our survey of these communities. Their experiences with the application process indicate that

- about 63 percent had very few, if any, problems in understanding HUD's requirements and completing the paperwork;
- 18 percent had significant problems; however, these problems were resolved quickly and easily; and
- 20 percent had significant problems that took a considerable amount of time and/or effort to resolve, or were never resolved.

To determine the specific nature of problems with the application process, we randomly selected and interviewed representatives from communities reporting significant problems. Representatives from these communities identified a wide array of concerns, such as voluminous, time-consuming, and resource-intensive paperwork requirements; lack of clear instructions and definitions; redundant information requirements; and difficulty in understanding HUD's scoring process. In addition, some community

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[5] For our analysis, we defined low-ranking projects as those projects in the lowest 25 percent of each community's priority list, for those communities that had four or more projects on their list.

[6] In the 1999 competition, HUD funded four projects outside of the competition, even though they were in the lowest 25 percent of their communities' priority lists and other higher ranking priority projects on the list were eligible and did not receive funding. This is because HUD reserved the authority to fund projects on a noncompetitive basis when they are renewal projects under the Supportive Housing Program and have received 40 points for need.

representatives raised concerns about the inability of HUD's field office staff to provide adequate technical information about the programs and the application requirements. Several community representatives stated that they received information from field office staff that contradicted information they received from HUD's headquarters staff and that field office staff were generally not knowledgeable about the program and application requirements. We did not identify any common factor that would explain why these communities had significant problems with the application process. However, several community representatives indicated that their communities lacked people with adequate experience in completing the paperwork requirements, and others said that they had to hire professional grant writers or consultants to help them complete the process. Furthermore, some community representatives stated that differences between homelessness and assistance delivery systems in rural and urban areas make it difficult for rural communities to compete for these funds. For example, they said that because HUD's COC strategy is more suited to urban conditions, rural communities are at a disadvantage in preparing the narrative and collecting the data required to complete the application.

Over the years, HUD has provided various opportunities for applicants to receive training and information about the competition. For example, since 1996, HUD has held information broadcasts via satellite so that potential applicants across the country could learn more about the homeless assistance grants and how to prepare the application. Moreover, during the last two competitions, HUD has made several modifications to improve the clarity of the application process and information required. For example, beginning in 1998, HUD consolidated the application process for all three programs into a single competition, with uniform time frames, paperwork, and selection criteria. Also, starting in 1998, HUD supplemented the application forms and instructions sent to communities with a list of commonly asked questions and answers, as well as information on program changes made since the prior year's competition. In 1999, HUD attempted to make the language used in the notice announcing the competition simpler and easier to understand by using plain language, active voice, and shorter sentences. Also, in 1999, applicants were able to obtain general information about the competition as well as the necessary forms and instructions from HUD's Internet site. HUD officials told us that they are continuing to make improvements as they receive feedback from the communities after each competition. For example, HUD has instituted a 25-page maximum for the COC plan narrative to ensure that no applicant has an unfair advantage during the rating process for the COC plans.

The community representatives we spoke to acknowledged that HUD has made improvements to the application process, but they also suggested the following additional actions that HUD could take in order to alleviate the problems they experienced.

- Clarify the definitions and instructions in the application by providing examples of the type of information applicants should include.
- Prescribe the information that should be included on an application, but not the format. This would allow communities more flexibility in presenting the information for their areas and would help eliminate some of the redundancy in the application.
- Increase the amount of training provided to applicants and field staff. Specifically, HUD could provide more advanced technical training for experienced applicants and detailed training about the application process for its field staff.
- Provide more detailed information on the scoring criteria used to select projects for funding. One community representative said the information HUD provided during the debriefings held after the awards were announced needs to be more specific so that communities can improve their applications in the future.
- Hold technical assistance forums so that (1) applicants can ask questions of HUD headquarters staff and (2) HUD can post these questions and responses to the Internet and update this information throughout the application cycle.
- Allow more time between the announcement for the competition and the date when applications are due.
- Eliminate the competition and deliver the funds through block grants to the communities. This view was held by several of the community representatives we spoke with.

Conclusions

The process that HUD uses to select projects for homeless assistance grants is complicated and may be difficult for some applicants to understand—particularly those with limited experience in applying for federal funds. In this regard, HUD has taken several steps to improve communications with applicants and help them better understand the requirements of the application process. The community representatives we spoke with recognized many of HUD's actions as steps in the right direction. However, because over one-third of the communities that applied for funds reported having significant problems in completing the application process in 1999, we believe that it is important for HUD to continue its efforts to provide more information and training to applicants

and simplify and streamline the paperwork requirements of the application process.

Agency Comments

We provided a draft of this report to HUD for review and comment. In general, HUD stated that the report represented a fair and accurate portrayal of the Continuum of Care process and the way in which the Department makes funding determinations. However, HUD questioned the objectivity of the report's conclusion and stated that, according to the report's findings, 80 percent of the communities either reported no problems with the process or experienced problems that were quickly resolved. We disagree with HUD's view. We believe that by combining the percentage of communities that had few, if any, problems with the percentage of communities that had significant problems that were resolved, HUD is ignoring the fact that 18 percent of these communities did experience significant problems with the application process. Our conclusion—that over one-third of the communities applying for funding in 1999 had significant problems in understanding HUD's requirements and completing the paperwork for the application—more accurately reflects the information reported to us by the communities. HUD also provided us with a technical comment, which we incorporated into the report. (App. IV includes the full text of HUD's comments and our detailed responses.)

Scope and Methodology

To obtain information on the criteria HUD uses to determine which homeless assistance projects will be funded and to determine whether these criteria are consistent with congressional intent, we interviewed agency officials and obtained and reviewed HUD documents, *Federal Register* notices, and relevant statutes. To obtain information on how HUD allocates funds to communities for new versus renewal projects, we interviewed HUD officials and obtained and reviewed relevant HUD documents.

To determine the extent to which HUD funds projects that communities rank as high priority in their Continuum of Care applications, and to determine why some high-priority projects were not funded while some low-priority projects were funded, we obtained and analyzed the information contained in HUD's database for the results of the 1998 and 1999 competitions. We also interviewed HUD officials and reviewed relevant documents. We conducted a limited review of the data in HUD's database to verify its accuracy and reviewed the procedures that HUD uses

to ensure the accuracy of the data that are entered into the system. We found no errors in the information that we verified.
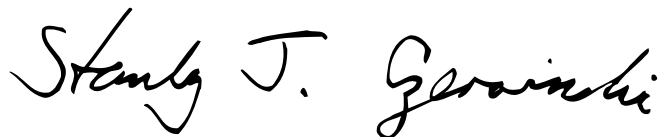
To determine whether communities face common problems when applying for funds from HUD and to determine what actions are needed to correct these problems, we surveyed 388 organizations responsible for developing 395 Continuum of Care applications for their communities.[7] We received 329 responses, which represents an 85-percent response rate. To obtain specific information on the problems that communities faced when applying for funds from HUD, we randomly selected and interviewed almost half of the organizations that reported having significant problems with the application process. However, the information we obtained from these organizations cannot be generalized to all of the organizations that encountered problems with the application process. We asked these organizations to identify corrective actions that were needed to resolve the problems they faced.

We conducted our work from January through July 2000 in accordance with generally accepted government auditing standards.

We are sending copies of this report to appropriate congressional committees; the Honorable Andrew M. Cuomo, Secretary of Housing and Urban Development; and other interested parties. Copies will also be made available to others on request.

If you have any questions about this report, please call me or Anu Mittal at (202) 512-7631. Other key contributors to this assignment were Angelia Kelly, Lynn Musser, and Hattie Poole.

Stanley J. Czerwinski
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  Development Issues

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[7] We could not obtain contact information for 28 communities that submitted applications in 1999.

HUD's Competitive Homeless Assistance Programs

This appendix provides information on three Housing and Urban Development (HUD) homeless assistance programs—the Supportive Housing Program, Shelter Plus Care, and Section 8 Moderate Rehabilitation Single-Room Dwellings—that provide grants to projects through a national competition. These three programs were created by the Stewart B. McKinney Act, as amended, (P.L. 100-77) to provide communities with the funding they need to create housing and services for homeless people.

Supportive Housing Program

The Supportive Housing Program (SHP) is designed to promote the development of supportive housing and supportive services,[1] including innovative approaches to help homeless people make a transition from homelessness and live as independently as possible. States, local governments, and other governmental entities (such as public housing authorities); private nonprofit organizations; and community mental health associations that are public nonprofit organizations can compete for grants through an annual national competition. Because no funds have been appropriated for the Safe Havens program since 1994,[2] HUD has elected to provide funding for this program under SHP. Consequently, SHP grants may be used to provide (1) transitional housing for a period of 24 months, and up to 6 months of follow-up supportive services for residents who move to permanent housing; (2) permanent housing with appropriate supportive services for homeless people with disabilities to enable them to live as independently as possible; (3) supportive services only, with no housing; (4) safe havens for homeless individuals with serious mental illness; and (5) innovative approaches to supportive housing that will meet the long-term needs of homeless people.

SHP funds can be used to acquire buildings, new construction, and leasing. However, portions of the grant must be used to serve certain populations, such as homeless people with children and homeless people with disabilities. In addition, a dollar-for-dollar match is required for grants involving the acquisition or rehabilitation of buildings or new construction. A 25- to 50-percent cost share is required for operating assistance, and a 25-

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[1] Supportive services include child care, employment assistance, health care, and case management activities.

[2] Safe Havens is a form of supportive housing that serves hard to reach homeless people with severe mental illness who are living on the street and have been unable or unwilling to participate in supportive services.

percent match is required for supportive services. The initial grant for a
SHP project is for up to 3 years; after this period, projects may apply for
renewal funding.

Shelter Plus Care

The purpose of the Shelter Plus Care program is to provide rental
assistance for homeless people with disabilities together with supportive
services that are funded from other sources. The program can provide (1)
tenant-based rental assistance, (2) sponsor-based rental assistance, (3)
project-based rental assistance, or (4) single-room-occupancy assistance.
States, units of general government, and public housing agencies are
eligible to apply for project grants through a national competition. Grants
can be used to provide rental assistance payments for either 5 or10 years,
depending on the type of rental assistance requested and the grantee's
meeting other program requirements. Each grantee must match the federal
funds provided for rental assistance with equal funding for supportive
services.

Section 8 Moderate Rehabilitation Single-Room Occupancy Dwellings

The purpose of the Single-Room Occupancy (SRO) program is to bring
more standard single-room occupancy units into the local housing supply
and make these units available to homeless individuals. Single room
occupancy housing units are intended for occupancy by a single person and
may or may not contain food preparation and/or sanitary facilities. Under
this program, HUD enters into annual contribution contracts with public
housing authorities for the limited rehabilitation of residential properties,
so that when the work is done the properties will contain multiple single-
room units. The public housing authority is responsible for selecting
properties that are suitable for assistance and for identifying landlords who
will participate. Under this program, public housing authorities and private
nonprofit organizations are eligible to compete for Section 8 rental
subsidies. Rental assistance payments are provided for 10 years. The
guaranteed cash flow from the federal rental assistance payments helps the
owners of the properties obtain private financing to rehabilitate the
property, cover operating expenses, service the project's debt, and make a
profit on the project.

Data on HUD's 1998 and 1999 Competitions

This appendix provides information from HUD's database of Continuum of Care (COC) applications and projects requesting and receiving funds for both the 1998 and 1999 competitions. This information is also provided on a state-by-state basis.

1998 Competition for HUD's Homeless Assistance Grants

During the 1998 competition, communities submitted a total of 449 COC applications consisting of 2,644 projects requesting funds. Of these projects, 1,489, or about 56 percent, were funded. About 88 percent of the funded projects represented COC applications that consisted of four or more projects. In general, COC applications with four or more projects represented 85 percent of the projects requesting funds and 88 percent of the funded projects. See table 3 for general information on the 1998 competition, and table 4 for a state-by-state analysis for the number of COC applications and projects submitted to and funded by HUD during the 1998 competition.

Table 3: Number of COC Applications, Projects Requesting Funding, and Projects Funded During the 1998 Competition

COC application size	Number of COC applications submitted to HUD	Total number of projects requesting funds	Total number of projects funded	Percent of projects funded
Applications with 30 or more projects	8	383	268	70
Applications with 17-29 projects	25	544	312	57
Applications with 4-16 projects	183	1,314	723	55
Subtotal	**216**	**2,241**	**1,303**	**58**
Applications with 3 projects	48	144	62	43
Applications with 2 projects	74	148	79	53
Applications with 1 project	111	111	45	41
Total	**449**	**2,644**	**1,489**	**56**

Table 4: State-by-State Distribution of COC Applications, Projects, and Funds Awarded for the 1998 Competition[1]

State	Number of COC applications submitted to HUD	Number of COC applications receiving funds	Number of projects requesting funds	Number of projects funded	Total funds awarded to state
Alabama	6	5	22	8	$5,429,022
Alaska	3	3	6	6	1,995,160
American Samoa	1	0	1	0	0
Arizona	3	2	32	12	11,872,922
Arkansas	8	4	14	4	2,138,795
California	37	32	349	182	125,348,523
Colorado	8	7	36	17	7,397,329
Connecticut	7	5	19	8	5,066,787
Delaware	1	1	21	10	2,419,729
District of Columbia	2	1	44	21	8,829,470
Florida	22	16	138	57	30,023,872
Georgia	10	10	68	31	14,434,821
Hawaii	2	2	6	4	2,509,013
Idaho	3	2	9	3	1,261,617
Illinois	19	15	101	67	40,641,076
Indiana	8	7	69	45	10,613,775
Iowa	3	2	16	8	5,167,099
Kansas	3	0	5	0	0
Kentucky	4	4	30	14	10,174,431
Louisiana	12	8	59	42	11,562,347
Maine	2	1	12	6	956,126
Maryland	7	7	61	44	15,185,895
Massachusetts	21	21	118	73	31,536,074
Michigan	18	13	107	61	28,612,011
Minnesota	11	11	55	36	12,140,670
Mississippi	4	3	10	4	1,645,478
Missouri	8	7	27	13	25,176,073
Montana	1	1	8	6	1,012,233
Nebraska	4	3	22	9	4,048,915
Nevada	2	2	10	6	3,163,610
New Hampshire	3	3	32	23	2,704,078
New Jersey	15	11	70	38	18,568,338
New Mexico	5	4	21	11	3,815,909
New York	27	19	219	167	84,880,780

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State	Number of COC applications submitted to HUD	Number of COC applications receiving funds	Number of projects requesting funds	Number of projects funded	Total funds awarded to state
North Carolina	22	12	74	28	4,631,303
North Dakota	1	1	1	1	112,801
Ohio	9	8	85	65	31,567,471
Oklahoma	4	1	20	15	2,637,662
Oregon	12	9	50	16	6,887,053
Pennsylvania	22	18	117	80	46,890,495
Puerto Rico	10	3	27	9	5,078,527
Rhode Island	1	1	25	11	3,832,835
South Carolina	5	5	18	16	4,738,717
South Dakota	2	1	2	1	222,325
Tennessee	6	5	39	20	9,066,283
Texas	17	11	118	61	31,006,849
Utah	6	3	22	10	1,961,340
Vermont	2	2	13	6	1,637,819
Virgin Islands	1	0	3	0	0
Virginia	16	14	79	32	11,444,012
Washington	9	8	68	52	19,751,199
West Virginia	8	4	14	5	1,644,908
Wisconsin	4	4	45	24	12,393,892
Wyoming	2	1	7	1	64,765
National total	**448**	**342**	**2,644**	**1,489**	**$725,902,234**

[1]For the 1998 competition, Guam was the only area that did not apply for funds.

1999 Competition for HUD's Homeless Assistance Grants

During the 1999 competition, communities submitted fewer COC applications than in 1998. However, the number of individual projects increased by 13 percent, to a total of 3,000 projects. Of these projects, 1,894, or about 63 percent, were funded. The majority of these funded projects, about 91 percent, are from COC applications that consisted of four or more projects. Although the total number of projects requesting funds increased between 1998 and 1999, the greatest increase occurred in COC applications with 30 or more projects, which accounted for 23 percent of the applications in 1999, compared to 15 percent in 1998. In contrast, COC applications with one or two projects decreased by 36 and 30 percent, respectively. See table 5 for general information on the 1999 competition

and table 6 for a state-by-state analysis of the number of COC applications and projects submitted to and funded by HUD during the 1999 competition.

Table 5: Number of COC Applications, Projects Requesting Funding, and Projects Funded During the 1999 Competition

COC Size	Number of COC applications submitted to HUD	Total number of projects requesting funds	Total number of projects funded	Percent of projects funded
Applications with 30 or more projects	15	679	439	65
Applications with 17-29 projects	25	543	340	63
Applications with 4-16 projects	187	1,419	942	66
Subtotal	227	2,641	1,721	65
Applications with 3 projects	53	159	89	56
Applications with 2 projects	57	114	55	48
Applications with 1 project	86	86	29	34
Total	**423**	**3,000**	**1,894**	**63**

Table 6: State-by-State Distribution of COC Applications, Projects, and Funds Awarded for the 1999 Competition1

State	Number of COC applications submitted to HUD	Number of COC applications receiving funds	Number of projects requesting funds	Number of projects funded	Total funds awarded to state
Alabama	5	4	23	14	$6,873,228
Alaska	2	2	18	8	2,501,214
Arizona	4	3	70	32	20,274,932
Arkansas	7	3	16	7	2,090,392
California	35	30	377	211	115,216,515
Colorado	10	7	39	19	8,462,818
Connecticut	8	7	19	14	6,327,463
Delaware	1	1	22	11	3,424,667
District of Columbia	1	1	45	23	7,938,849
Florida	22	17	128	85	38,907,450
Georgia	15	8	86	47	13,242,745
Guam	1	0	4	0	0
Hawaii	2	2	16	11	4,187,492
Idaho	2	2	22	12	1,674,949
Illinois	21	18	149	88	46,356,450
Indiana	8	8	65	55	12,190,793
Iowa	3	3	11	9	4,281,229
Kansas	5	4	17	11	6,808,842
Kentucky	4	4	52	40	9,653,477
Louisiana	9	7	66	46	12,940,165
Maine	3	3	29	17	5,588,139
Maryland	9	7	118	77	17,080,933
Massachusetts	21	21	204	141	33,765,276
Michigan	14	11	87	61	32,302,953
Minnesota	12	9	68	53	15,275,263
Mississippi	3	1	4	1	355,950
Missouri	9	6	34	19	11,443,837
Montana	1	1	5	5	1,351,768
Nebraska	3	3	17	7	1,671,503
Nevada	4	3	9	5	2,891,976
New Hampshire	3	3	28	9	1,290,635
New Jersey	15	12	80	44	14,879,064
New Mexico	3	2	18	14	3,601,572
New York	20	14	196	153	81,672,977

(Continued From Previous Page)

State	Number of COC applications submitted to HUD	Number of COC applications receiving funds	Number of projects requesting funds	Number of projects funded	Total funds awarded to state
North Carolina	13	10	58	35	4,068,972
Ohio	10	9	87	68	42,899,574
Oklahoma	5	4	39	21	7,591,135
Oregon	9	8	42	25	6,258,128
Pennsylvania	21	15	114	72	42,805,381
Puerto Rico	7	2	16	2	379,566
Rhode Island	1	1	30	21	4,523,765
South Carolina	6	4	26	15	4,874,673
Tennessee	6	5	47	34	9,397,612
Texas	18	11	140	93	36,485,090
Utah	5	4	12	5	942,613
Vermont	2	2	13	5	1,926,359
Virgin Islands	2	0	4	0	0
Virginia	14	14	78	46	12,390,107
Washington	9	9	96	66	24,099,347
West Virginia	5	2	10	5	1,323,195
Wisconsin	4	4	43	31	12,258,802
Wyoming	1	1	3	1	195,326
National total	**423**	**332**	**3,000**	**1,894**	**$758,945,161**

[1]For the 1999 competition, North and South Dakota and American Samoa were the only areas that did not apply for funds.

HUD's Process for Determining Homeless Assistance Need

This appendix describes how HUD determines the relative homeless assistance need, called the pro rata need amount, for those communities that have applied for homeless assistance funds through the Continuum of Care process. In addition, this appendix describes how HUD assigns "need points" to each eligible project that has applied for funds.

Determining the Pro Rata Need Amount

HUD uses a four-step process to determine the pro rata need amount for the geographical area covered by a community's Continuum of Care plan. First, HUD establishes a preliminary pro rata need amount for each geographical area in the country that is based on the formula used for the Emergency Shelter Grant program and the total amount of money available for the competition.[1] Second, HUD determines which geographical areas did not apply for funds under the competition and redistributes the funds initially assigned to these areas proportionately among the communities that did apply. This new amount is called the "rolled-up pro rata need amount." Third, in recognition of the heavy renewal burden that some communities face, HUD further adjusts the pro rata need amount for those communities where the total amount requested for renewal projects exceeds the rolled up pro rata need amount. The amount of the adjustment is based on the difference between the total amount of renewal funding requested and the community's rolled up pro rata need amount, and the type of projects that are requesting renewal funding. For example, if all the renewal projects in a community's application are for the Supportive Housing Program, then 33 percent of the difference will be added to the rolled up need amount to determine the "renewal adjusted pro rata need amount" for a community. However, if all of the renewal projects in a community's application are Shelter Plus Care projects, then 50 percent of the difference will be added to the rolled-up need amount.[2] If a community has a mixture of Supportive Housing Program and Shelter Plus Care renewal projects, then the adjustment will be based on the proportion of Supportive Housing Program and Shelter Plus Care renewal projects requesting funds. Fourth, to fulfill the 30-percent permanent housing requirement set in the 1999 and 2000 appropriations acts,[3] HUD adds a

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[1] The Emergency Shelter Grant formula is based on the following factors: data on poverty, housing overcrowding, population, age of housing, and growth lag.

[2] According to HUD officials, in this process, Shelter Plus Care renewal projects are weighted more heavily, in recognition of the legislatively mandated 5-year term for Shelter Plus Care projects, compared with Supportive Housing Program renewal projects, which may have a 1-, 2-, or 3-year term.

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bonus of up to $250,000 to the renewal adjusted pro rata need amount, if the community designates a new permanent housing project as its top priority. Table 7 provides an example of how the pro rata need amount is determined for a community.

Table 7: Calculating the Pro Rata Need Amount for a Community

Calculation	Amount
Preliminary pro rata need amount	$8,500,000
Portion of unclaimed funds allocated to the community	1,000,000
Rolled up pro rata need amount	9,500,000
Renewal adjustment based on a total renewal need of $12,500,000 for Supportive Housing Program projects. 12,500,000 − 9,500,000 = 3,000,000 33% of 3,000,000 = 1,000,000	1,000,000
Renewal adjusted pro rata need amount	10,500,000
Permanent housing bonus based on a new permanent housing project designated as the community's top priority	250,000
Final adjusted pro rata need amount	**$10,750,000**

Assigning Need Points to Eligible Projects

After the final adjusted pro rata need amount is determined for each community that has applied for funds, HUD uses the pro rata need amount to assign the number of "need points" that each project on the community's priority list will receive. Starting at the top of the priority list, HUD assigns 40 need points to each eligible project, if at least half of the amount requested falls within the community's final adjusted pro rata need amount. The next tier of eligible projects, referred to as the "second tier," will be assigned 20 points each for need, if at least half of the amount requested falls between the final adjusted pro rata need amount for the community and twice the pro rata need amount. The remaining eligible projects on the priority list will each receive 10 points for need. If a community does not rank its projects, all eligible projects in the application will receive 10 points for need. Table 8 shows how need points are assigned to each

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[3]To ensure that HUD funds are being used to create permanent housing, the Congress mandated a 30-percent permanent housing requirement in HUD's fiscal year 1999 and 2000 appropriations acts.

project on a community's priority list when the final adjusted pro rata need amount for the community is $10,750,000.

Table 8: Assigning Need Points for Eligible Projects on a Community's Priority List When the Final Pro Rata Need Amount is $10,750,000

Tier	Eligible projects on priority list	Amount of funds requested	Cumulative share of the pro rata need amount	Points awarded for need to each project
1	Project 1	2,500,000	2,500,000	40
	Project 2	2,000,000	4,500,000	40
	Project 3	3,250,000	7,750,000	40
	Project 4	3,000,000	10,750,000	40
2	Project 5	5,000,000	15,750,000	20
	Project 6	2,750,000	18,500,000	20
	Project 7	3,000,000	21,500,000	20
3	Project 8	2,000,000	23,500,000	10
	Project 9	4,000,000	27,500,000	10
	Project 10	1,000,000	28,500,000	10

Note: GAO comments
supplementing those in the
report text appear at the end
of this appendix.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-7000

JUL   6 2000

OFFICE OF THE ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

Mr. Stanley J. Czerwinski
Associate Director, Housing and
    Community Development Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Czerwinski:

Thank you for the opportunity to comment on *Homelessness: HUD Funds
Eligible Projects According to Communities Priorities (GAO/RCED-00-191, Code
385844)*. In general I think it is a fair portrayal of HUD's Continuum of Care
homelessness assistance system. I would however like to offer a few comments
regarding the report.

As you know, addressing homelessness has been a high priority in the Clinton
Administration and the Department of Housing and Urban Development's (HUD)
Continuum of Care policy has been a centerpiece of the Administration's efforts to
address homelessness. The Continuum of Care approach is based on input received from
literally thousands of non-profit providers, homeless people, elected officials,
representatives of local business, and other concerned citizens. It reflects the belief that
the complexities of homelessness can only be overcome through comprehensive and
collaborative planning at the community level. Through the Continuum of Care
approach, the Department has sought to provide incentives which reward communities for
comprehensive and collaborative planning by providing increased resources and
expanded flexibility in local decision-making.

I believe your report accurately discusses the elements of the Continuum and the
process by which HUD makes funding determinations. However, I am puzzled by your
decision to underplay the fact that 80% of the respondents said they had no problems with
the application process, or any problems they had were quickly resolved, and, instead,
emphasize, in both the executive summary and conclusion, the concerns of the less than
one out of five projects that claim to have had a "serious and unresolved" problem with
the Continuum of Care process. We do not question the fact that we can always improve
the process, and we will carefully consider the recommendations put forward in your
report, but the emphasis on the negative does call into question the objectivity of the
conclusions.

See comment 1.

Your report quite appropriately outlines HUD's efforts to ensure that potential applicants have the information they need to complete a competitive application. You specifically state the in FY2000 the Department "held an information broadcast via satellite so that potential applicants across the country could learn more about the programs and how to prepare the application."

In fact, HUD has held these satellite trainings every year since 1996. It has been our practice to hold a satellite training soon after the Notice of Funding Availability is released to go over any differences from the previous year's application and to give potential applicants an opportunity to ask questions. We then follow-up with another interactive satellite broadcast about a month later to respond to questions that may have been raised as a result of the potential applicants working on their applications. For those who could not access the satellite broadcasts, videotapes are made available upon request, and we also have a 1-800 number available for assistance. In addition, we hold a separate Satellite training for HUD Field Office staff to inform them about changes in the NOFA and answer their questions.
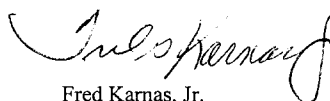
In addition to the support outlined above, the Department makes available technical assistance to help communities understand the Continuum of Care process and improve their chances of scoring well. Each year a significant number of communities take advantage of HUD's technical assistance programs, with the almost universal result of improved scores in the annual competition.

One technical point. You use the term "solo" application in Table 1 of the report in a manner quite different than the way HUD uses the same term. In our lexicon, a solo application is one in which a single entity has chosen to submit a Continuum of Care with no clear connection to the larger community or participation by a cross section of advocates, service providers, local government officials, etc. (as you correctly describe on page 5). It is not based on the number of projects submitted in the application as Table 1 suggests. In fact, each year there are often a number of legitimate Continuums of Care (i.e., those with broad participation) which only submit an application for a single project.

Again, thank you for the opportunity to comment on the report. Let me assure you that your final report will be thoroughly reviewed to determine any ways we might improve the Continuum of Care system, with the goal of ensuring safe, decent housing and appropriate services for all homeless Americans.

Very sincerely,

Fred Karnas, Jr.
Deputy Assistant Secretary
for Special Needs Programs

See comment 2.

See comment 3.
Now on p. 10.

GAO's Comments

1. We made no change to the report in response to this comment because we believe that our report accurately reflects the information we received from the communities. The report states that 63 percent of the communities we surveyed had few, if any, problems in understanding HUD's requirements and completing the paperwork for the application process. In contrast, 18 percent of the communities we surveyed had significant problems that were resolved quickly and easily, and 20 percent had significant problems that were never resolved. To state that 80 percent of the communities had no problems in understanding and completing the application process, or that any problems they had were quickly resolved, HUD combined the percentage of communities that had few, if any, problems with the percentage of communities that had significant problems that were easily resolved. We believe that by combining these percentages HUD is ignoring the fact that 18 percent of the communities had significant problems with the application process and overall more than a third of the communities that applied for funds in 1999, had significant problems in understanding the requirements and completing the paperwork for the application process.

2. We revised the report to more fully recognize the types of assistance HUD has provided to applicants.

3. We revised the report to clarify this point.