

### BACKGROUND

The Department of Housing and Urban Development’s (HUD) McKinney-Vento Homeless Assistance Grants program, enacted in 1987, is the federal government’s primary legislative response to homelessness. McKinney-Vento Homeless Assistance programs include:

- Emergency Shelter Grant (ESG);
- Shelter plus Care (S+C);
- Supportive Housing Program (SHP); and
- Section 8 Moderate Rehabilitation SRO.

The bipartisan Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009 is the first significant reauthorization of the McKinney-Vento programs since 1992. The HEARTH Act makes several changes to HUD-funded homeless assistance programs with an **emphasis on using outcomes and research to drive programmatic decisions.**

### OVERVIEW

The purposes of the HEARTH Act are to consolidate homeless assistance programs, codify the Continuum of Care planning process, and establish a goal of ensuring that families who become homeless return to permanent housing within 30 days.

The Act reauthorizes and amends the McKinney-Vento programs with significant changes, including:

- A change in HUD's definition of homelessness and chronic homelessness;
- An increase in rapid rehousing, prevention and administrative resources;
- A consolidation of HUD's competitive grant programs;
- A simplified match requirement;
- An increase in the emphasis on performance; and
- The creation of a Rural Housing Stability Assistance Program.

To implement the HEARTH Act changes, HUD must write six regulations -- the Definition of Homeless, the Consolidated Plan Conforming Amendments, the Emergency Solutions Grant (ESG) Program, Homeless Management Information Systems (HMIS)

*“The HEARTH Act is the first significant reauthorization of the McKinney-Vento Homeless Assistance programs in nearly 20 years and allocates millions more to homelessness prevention, rapidly re-housing homeless families, and providing permanent supportive housing for homeless people with disabilities. It also modernizes and streamlines housing and services to more efficiently meet the needs of people seeking assistance.”*

*-National Alliance to End Homelessness*

Requirements, the Continuum of Care (CoC) Program, and the Rural Housing Stability Assistance Program (RHSP). These regulations are currently published as final, proposed, or interim rules in the Federal Register.

### HEARTH Act Regulations

Regulation	Type	Date published
Homeless Definition	Final	12/5/2011
Consolidated Plan	Interim	12/5/2011
ESG Program	Interim	12/5/2011
HMIS	Proposed	12/9/2011
CoC Program	Interim	7/31/2012
RHSP	Interim	3/27/2013

The HEARTH Act is organized into five major sections:

- Division B – Homelessness Reform
- Title I – Housing Assistance General Provisions
- Title II – Emergency Solutions Grant Program
- Title III – Continuum of Care Program
- Title IV – Rural Housing Stability Program (RHSP)

The remainder of the document summarizes the main provisions of each section, with the exception of the RHSP, which is not applicable to the Cambridge CoC.

### DIVISION B – HOMELESSNESS REFORM

This section of the HEARTH Act includes the new definition of homelessness. The Homeless Definition rule was published by HUD in December 2011, and went into effect January 4, 2012. Over the past few months the Cambridge CoC has worked to update Homelessness Verification and Recordkeeping procedures to comply with the new definition and rule.

### TITLE I – GENERAL PROVISIONS

The Housing Assistance General Provisions section adds several key definitions to the McKinney-Vento Act, including:

- **“at risk of homelessness”** – includes people who have incomes below 30 percent of area median, have insufficient resources to obtain housing stability, and live in unstable or risky situations.
- **“chronic homelessness”** – includes individuals and families who are literally homeless, have been literally homeless for the past year or four times in the past three years, and have a disabling condition.
- **“Collaborative Applicant”** – the entity within a community that submits a joint application on behalf of all the applicants for funding in the community.
- **“Unified funding agency”** – a Collaborative Applicant that receives grants from HUD and distributes them to individual recipients in the community.

This section of the HEARTH Act codifies the Continuum of Care planning process. The Collaborative Applicant is the entity (Continuum of Care) that:

1. Designs a collaborative process for the development of an application, and for evaluating the outcomes of funded projects, in such a manner as to provide information necessary for HUD to determine compliance with program requirements and selection criteria and establish priorities for funding projects in the geographic area involved;

2. Participates in the Consolidated Plan for the geographic area served by the Collaborative Applicant; and
3. Ensures operation of, and consistent participation by, project sponsors in a community-wide Homeless Management Information System (HMIS).

A Collaborative Applicant can also serve as a Unified Funding Agency that, in addition to performing the duties of the Collaborative Applicant, also receives and distributes funds for projects to be carried out by other project sponsors. A Collaborative Applicant that is either selected or designated as a Unified Funding Agency must require each project sponsor to establish proper fiscal control and accounting procedures, and arrange for an annual survey, audit or evaluation of the financial records of each project.

### TITLE II – EMERGENCY SOLUTIONS GRANT

The formula-based “Emergency Shelter Grant” Program is renamed “Emergency Solutions Grant” Program. The change in name reflects the HEARTH Act’s focus on expanding prevention and rapid rehousing resources. Essentially, the new ESG program can be thought of as a combination of the old Emergency Shelter Grant program and the Homelessness Prevention and Rapid Rehousing Program (HPRP).

Eligible ESG activities include:

- Renovation, major rehabilitation, or conversion of buildings to be used as emergency shelters;
- Provision of essential services related to emergency shelter or street outreach;
- Maintenance, operation, insurance, provision of utilities, and provision of furnishings related to emergency shelter;
- Provision of rental assistance to provide short-term or medium-term housing to homeless or at-risk individuals or families; and
- Housing relocation or stabilization services for homeless or at-risk individuals or families, including housing search, mediation, credit repair, etc.

HEARTH specifies that all ESG-funded agencies must participate in HMIS, and allows up to 7.5 percent of funds be allocated to administration.

### TITLE III – COC PROGRAM

This section consolidates three McKinney-Vento programs – SHP, S+C, and Section 8 Mod Rehab SRO – into the “Continuum of Care Program.” The Continuum of Care Program will have one set of eligible activities, a single match requirement, and a unified set of operating rules.

In addition to consolidating programs, this section:

- Creates one match requirement of 25 percent cash or in-kind across all line items, except leasing;
- Allows for funding of administrative costs related to designing a collaborative process for the development of an application under the CoC Program;
- Defines the selection criteria for the CoC Program, which is a competitive grant program unlike ESG, which is formula-based;
- Defines incentives and bonus project activities;
- Addresses contract renewals.

The selection criteria for the CoC Program demonstrate the HEARTH Act’s emphasis on data-driven performance evaluation. Selection criteria include the following factors:

- **Performance:** The performance of the community (including both CoC Programs and ESG programs) in the following indicators:
  1. Reductions in the length of time people are homeless;
  2. Reductions in homeless recidivism;
  3. Thoroughness in reaching people experiencing homelessness;
  4. Reductions in the overall number of homeless people;
  5. Increases in jobs and income; and
  6. Reductions in the number of people who become homeless.
- **Plans:** The quality and comprehensiveness of the plan to reduce the number of people who become homeless, reduce the length of time that people experience homelessness, and collaborate with local education authorities to assist in the identification of individuals and families who become or remain homeless.

- **Methodology:** The methodology of the priority-setting process, including the extent to which it uses outcome data, involves stakeholders from a range of people within the jurisdiction, is based on objective criteria that are publicly announced, and is open to proposals from previously unfunded entities.

Although HUD regularly provided for Bonus funding in past Notices of Funding Availability (NOFA), incentives were not written into the legislation. The HEARTH Act empowers HUD to provide bonuses or other incentives for activities that have been proven to be effective, including:

- Permanent supportive housing for chronically homeless individuals and families;
- Rapid rehousing for families; and
- Other activities that HUD determines are effective at reducing homelessness.

Additionally, the HEARTH Act includes incentives for “High-Performing Communities.” Up to ten communities per year will be designated as “high-performing” according to indicators related to the HEARTH performance measures.

The final major change in this section is that HUD will make adjustments proportional to increases in the Fair Market Rents in the geographic area, expanding the Shelter Plus Care FMR increases to all permanent housing activities.

### CONCLUSION

This document gives a *brief* summary of HEARTH Act provisions; it does not cover every aspect of the legislation. We encourage you to check out the following resources, which are the sources used to create this summary:


The HEARTH Act – available on the HUD HRE  
<http://www.hudhre.info/documents/HomelessAssistanceActAmendedbyHEARTH.pdf>

National Alliance to End Homelessness –  
Summary of the HEARTH Act  
<http://www.endhomelessness.org/content/general/detail/2098>

HomeBase – HEARTH Act Reference Tool  
<http://www.homebaseccc.org/>

### Changes to the ESG (Formula) Program

Old	New
<p>Name: Emergency Shelter Grants</p> <p>Distribution: Formula to Cities, Counties, and States</p> <p>Admin: Up to 5% for administrative expenses</p> <p>Eligible Activities:</p> <ul style="list-style-type: none"> <li>– Shelter renovating, rehab, conversion</li> <li>– Operating Emergency Shelter (limit of 10% for staffing)</li> <li>– Services in Shelter or for outreach (max. 30%)</li> <li>– Prevention (limited, targets people with sudden loss of income, max 30%)</li> </ul>	<p>Name: Emergency Solutions Grants</p> <p>Distribution: Same</p> <p>Admin: Up to 7.5% for administrative expenses</p> <p>Eligible Activities:</p> <ul style="list-style-type: none"> <li>– Same as now plus HPRP activities (except that prevention has to target below 30% of AMI)</li> <li>– No cap on prevention, services, or staffing</li> <li>– Minimum of 40% must be for prevention and Rapid Re-Housing (with a hold-harmless provision)</li> </ul>

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### Continuum of Care (competitive) Program

Old	New
<p>3 programs</p> <ul style="list-style-type: none"> <li>• Supportive Housing Program (SHP)—including permanent supportive housing, transitional housing, safe havens, and supportive services only projects</li> <li>• Shelter Plus Care (SPC)—rental subsidies for permanent supportive housing</li> <li>• Mod. Rehab./SRO—seldom used, provides long-term rental subsidies for moderate rehabilitation of single room occupancy buildings</li> </ul>	<p>Single Continuum of Care program</p> <ul style="list-style-type: none"> <li>• Includes all of the eligible activities of the 3 former programs</li> <li>• More flexibility for mixing and matching eligible activities</li> <li>• Explicitly specifies re-housing services as an eligible activity</li> <li>• Up to 10 percent for admin. Costs (previous amount was 5% for SHP and 8% for SPC)</li> <li>• Reasonable costs for staff training</li> </ul>

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### Continuum of Care (competitive) Application

Old	New
<ul style="list-style-type: none"> <li>• Providers in community jointly apply for funding</li> <li>• Stakeholders in community review and rank applications</li> <li>• Application has two parts                             <ul style="list-style-type: none"> <li>– Exhibit 1 is the community wide part, which includes information about the number of homeless people, community resources and gaps, and capacity to administer homeless assistance</li> <li>– Exhibit 2 includes individual project applications</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Similar to existing process.</li> <li>• Application will be submitted by Collaborative Applicant, which will be eligible for 3% of the communities award for admin.</li> <li>• Application will be more focused on performance, including:                             <ul style="list-style-type: none"> <li>– Reducing lengths of homeless episodes</li> <li>– Reducing recidivism back into homelessness</li> <li>– Reducing the number of people who become homeless</li> </ul> </li> </ul>

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### Continuum of Care (matching funds)

Old	New
<p>Match requirement varies depending on activity</p> <ul style="list-style-type: none"> <li>– 25% for services, must be cash</li> <li>– 100% for rental assistance, must be in-kind services</li> <li>– 100% for construction/rehab</li> <li>– 33% for operating expenses</li> <li>– No match for leasing</li> </ul>	<p>Uniform 25% match except for leasing projects</p> <ul style="list-style-type: none"> <li>– Match can be community-wide, meaning some projects can have higher matches to offset projects with lower matches</li> <li>– Match can be cash or in-kind when documented by Memorandum of Understanding</li> </ul>

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