Appendix L

HUD Notice – Using CDBG to Address Homelessness

U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:

All Secretary's Representatives
All State/Area Coordinators
All CPD Division Directors
All CDBG Grantees

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Supersedes:

Subject: Using CDBG Funds in Addressing the Challenges of Homelessness

I. Introduction:

Fifteen years after the enactment of the McKinney-Vento Homeless Assistance Act, President Bush has established the goal of ending chronic homelessness by the year 2012. To help achieve that goal, HUD has placed greater emphasis on coordinating Federal efforts, as HUD is one of several agencies responsible for providing housing and related resources to prevent homelessness and help homeless families and individuals move to permanent housing. Each year, HUD provides over $1.2 billion to assist homeless persons.

A critical component of addressing the needs of homeless families and individuals is the availability of affordable housing opportunities for those who are homeless or at risk of homelessness. HUD has a number of programs that provide affordable housing for low-income persons. The Community Development Block Grant (CDBG) is an important resource for local governments in their efforts to provide both transitional and permanent housing, as well as supportive services, to families and/or individuals experiencing homelessness.

CDBG funds can be used in conjunction with other Federal, state, and local programs, resulting in innovative initiatives that help local communities meet the needs of the homeless population. Because they design and administer their own CDBG

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programs, local governments have the opportunity to tailor a comprehensive approach to addressing the entire range of homeless needs along the Continuum of Care.

As might be expected, expenditures for activities benefiting homeless persons vary from year to year depending upon budget allocations and the needs identified by grantees. In Fiscal Year (FY) 2002, CDBG expenditures nationally for homeless facilities were $18,447,753 for entitlement communities and $3,301,000 for the State-administered CDBG program. These expenditures were exclusively for the purpose of addressing homelessness issues. These amounts do not include other expenditures for activities that provide assistance to the homeless, but are not exclusively earmarked for serving the homeless. Therefore, the amount of CDBG funds expended for activities that specifically assist homeless persons may be significantly higher than the $21.7 million reported.

II. CDBG Program:

CDBG funds are made available to states and units of general local government; HUD does not provide CDBG funds directly to individuals or organizations. States and units of local government retain autonomy over selecting eligible activities to carry-out with CDBG funds based on the community's perceptions of its local needs, priorities, and benefits to the community. Each grantee is responsible for choosing how best to serve the community's interests and meet the needs of eligible citizens. As such, each grantee is free to determine what activities it will fund as long as certain requirements are met, including that each activity is eligible and meets one of the following broad national objectives: benefits persons of low and moderate income, aids in the prevention or elimination of slums or blight, or meets other community development needs of a particular urgency that the grantee is unable to finance on its own. Persons who are homeless are presumed to be principally low and moderate income. Therefore, activities that provide assistance to the homeless will be considered to meet the national objective of benefiting low- and moderate-income persons.

III. Consolidated Plan and Continuum of Care:

To receive CDBG funds, each grantee must first submit a Consolidated Plan. This plan identifies various needs in the community and identifies the activities it proposes to undertake to meet those needs. In developing its plan, a grantee must consider the needs of homeless families and individuals because the law and the regulations governing the Consolidated Plan

require the grantee to describe the nature and extent of homelessness, including homelessness in rural areas. The Consolidated Plan must contain a discussion of the need for facilities and services for homeless individuals, as well as the same needs for homeless families with children and homeless subpopulations. Homeless subpopulations include, but are not limited to: homeless persons that are severely mentally ill only, alcohol/drug addicted only, severely mentally ill and alcohol/drug addicted, fleeing domestic violence, considered youth, and diagnosed with HIV/AIDS.

The Consolidated Plan must also include a brief inventory of facilities and services that meet the emergency shelter, transitional housing, permanent supportive housing, and permanent housing needs of homeless persons within the grantee's jurisdiction. In addition, there must be a description of the grantee's strategy for preventing homelessness, providing outreach/assessment, addressing emergency shelter and transitional housing needs, and helping the homeless to transition to permanent housing and independent living.

If information is available, a grantee is also to provide a description of the special needs of homeless people with specific problems. These problems often include mental illness, substance abuse, a dual diagnosis of mental illness and addiction, domestic violence, and HIV/AIDS. When possible, each grantee is also asked to describe the nature and numbers of homeless persons by race and ethnic group, as well as the characteristics and unique needs of persons who might not presently be homeless but who are threatened with homelessness.

While some of the information required is found in census data, more current and specific data might be obtained through consultation with other public agencies and social service providers. The citizen participation process and public hearings, which are requirements of developing the Consolidated Plan, can also be valuable sources of information. In addition, other local plans may provide information necessary to evaluate the needs of the homeless and coordinate a response to address those needs.

The purpose of the Continuum of Care (CoC) is to provide a coordinated, locally developed system to assist homeless persons, especially the chronically homeless, to move to self-sufficiency and permanent housing. In addition to homeless prevention, a CoC system consists of four basic components:

(a) A system of outreach and assessment for determining the needs and conditions of an individual or family who is homeless;

(b) Emergency shelters with appropriate supportive services to help ensure that homeless individuals and families receive adequate emergency shelter and referral to necessary

service providers or housing finders;

(c) Transitional housing with appropriate supportive services to help those homeless individuals and families who are not prepared to make the transition to permanent housing and independent living; and

(d) Permanent housing, or permanent supportive housing, to help meet the long-term needs of homeless individuals and families.

A CoC system is developed through a community-wide or region-wide process involving nonprofit organizations (including those representing persons with disabilities), government agencies, public housing authorities, faith-based and other community-based organizations and other homeless providers, housing developers and service providers, private businesses and business associations, law enforcement agencies, funding providers, and homeless or formerly homeless persons. To ensure that the CoC system addresses the needs of homeless veterans, it is particularly important that veteran service organizations with specific experience in serving homeless veterans are involved. A CoC system should address the specific needs of each homeless subpopulation: those experiencing chronic homelessness, veterans, persons with serious mental illnesses, persons with co-substance abuse issues, persons with HIV/AIDS, persons with co-occurring diagnoses, victims of domestic violence, youth, and any others. (The term "co-occurring diagnoses" may include diagnoses of multiple physical disabilities or multiple mental disabilities or a combination of these two types.)

Effective CoC-wide strategies coordinate homeless assistance with mainstream health, social services and employment programs for which homeless individuals and families may be eligible. These programs include Medicaid, Children's Health Insurance Program, Temporary Assistance for Needy Families, Food Stamps, and services funded through the Mental Health Block Grant and Substance Abuse Block Grant, Workforce Investment Act, Welfare-to-Work grant program, and Veterans Health Care.

Communities are encouraged to coordinate CDBG activities with area CoC efforts and other resources in order to target assistance to chronically homeless persons in their communities. Further, recipients of CDBG funds are encouraged to also work with the appropriate local government entity to develop and implement a discharge policy for persons leaving publicly funded institutions or systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent such discharge from immediately resulting in homelessness for such persons. Such actions and coordination will contribute to the Department's priority of ending chronic homelessness.

IV. Program Funding Eligibility:

While CDBG funds are a flexible resource that may be used to assist a wide range of activities that may help address the needs of homeless persons as they move through the Continuum of Care, it may also serve as a primary tool in developing or supporting the development of permanent housing, as well as emergency shelter and transitional housing.

Two of the most common ways of using CDBG funds to support the development of permanent affordable housing is to use CDBG to acquire property on which permanent housing will be built using other resources, or to fund the installation or reconstruction of public improvements that will serve the affordable housing to be constructed.

It is important to note that new housing construction is not, itself, an eligible activity under the CDBG program, but if a grantee has an entity within its jurisdiction that qualifies as a community based development organization (CBDO) and the CBDO is capable of serving as a housing developer, the CBDO may be provided CDBG funds for new construction undertaken as part of a neighborhood revitalization project.

Housing rehabilitation is also eligible under the CDBG program and may include the conversion of an existing, non-residential building into residential units.

> The House of Refuge East (HRE) is an 88 unit transitional housing facility on a portion of the closed Williams Field Air Force Base in Mesa, Arizona. Homeless families now reside in housing units formerly occupied by Air Force personnel and their families. HRE is a non-profit organization dedicated to organizing, developing and operating programs to assist homeless and displaced persons and has been in operation for seven years. They have received Supportive Housing Program funds for providing operating and support services to residents for several years. The city of Mesa has also used CDBG funds for street improvements at HRE, and more recently has approved the use of CDBG funds to match a McKinney-Vento Act grant to replace roofs in approximately half of the units.

CDBG may also be used to assist with the development of emergency shelters and transitional housing. Although transitional housing does have a residential purpose and

residents generally reside in these units for up to two years, transitional housing is not considered to be permanent housing under the CDBG program. Therefore, as long as it is owned by the grantee or a non-profit entity, it is considered to be eligible as a public facility. This is an important distinction since CDBG funds may be used to assist in the new construction of public facilities. (It is important to note that while CDBG funds may be used to construct public facilities, CDBG funds may not be used to pay for the repair, operation or maintenance of such facilities, with the exception that operating and maintenance expenses associated with a public service are eligible as part of the public service.)

Examples of using CDBG funds to assist in providing shelter, whether emergency, transitional, or permanent, include but are not limited to the following:

- Rehabilitation of a vacant building to be used as a group home to serve the chronically homeless
- Acquisition of a building by a grantee and disposition of the property by donation to a nonprofit entity which will own the property and develop permanent rental units
- Acquisition of property and construction or rehabilitation of a building on the property to be used as a homeless shelter or transitional housing
- Clearance of a site on which an emergency shelter will be constructed
- Moving a house to another site where it will be used for transitional or permanent housing
- Homeownership assistance through payment of closing costs, payment of 50% of the downpayment costs, providing an interest rate write-down and /or a "soft-second" mortgage to ensure affordability, as well as counseling provided as part of the homeownership program, to prepare persons for the on-going responsibilities of homeownership
- Acquisition and rehabilitation of an apartment building for use as permanent affordable housing for the homeless
- Extension of water and sewer lines to a new group home
- Conversion of an abandoned public school to a facility providing both shelter and services to the homeless
- Local matching share under another Federal program for CDBG-eligible activities that assist the homeless, e.g., HUD's Shelter Plus Care Program

Crossroads in Sandusky, Ohio, is a multi-funded facility that provides shelter and services, including a child nutrition program, for homeless individuals and families. Operated by the Volunteers of America Northwest Ohio, Inc., CDBG funding provided through Erie County is just one

of several funding sources used for the operation of Crossroads, which offers a 16 bed emergency shelter (assisted with Emergency Shelter Grant funds) for homeless individuals, a 48 bed transitional housing (assisted with Supportive Housing Program funds) for individuals and families, and an 8 bed veterans program that provides transitional housing.

Homelessness is not caused merely by a lack of shelter, but involves a variety of underlying, unmet needs – physical, economic, and social. CDBG funds may be used to provide a wide range of public service activities to assist persons who are homeless or to help prevent homelessness. (To be eligible, a public service must be either a new service or a quantifiable increase in an existing service, above that which has been provided by state or local funds in the 12 calendar months prior to submission of the action plan.) Public services include but are not limited to:

- Payment of the costs of operating a homeless shelter, including costs related to implementing and operating the Homeless Management Information System (HMIS) for the shelter
- Drug abuse counseling and treatment
- Child care for homeless persons seeking employment
- Providing health care by paying for salaries or equipment at a clinic
- Job training and education programs
- Fair housing counseling
- Emergency payment of rent and utilities (paid directly to the landlord and utility provider over a limited period of time)
- Operation of a food bank or soup kitchen
- Providing supportive services, on-site, at supportive housing residences

Casa Maria is a transitional housing facility in the City of Pasadena (CA) that provides services to homeless women who have a history of chronic substance abuse. Casa Maria, which is an active partner in the city's Continuum of Care, can accommodate up to 12 women (and 4 children) and provides support services to its residents, including health care, case management, life skills development, substance abuse counseling, parenting classes, etc. Residents of the facility are allowed to stay up to two years or 24 months. Casa Maria has received funding awards under the CDBG program and was awarded McKinney-Vento Act funding. The agency was

successful in the City's competitive Request for Proposal (RFP) Process and received CDBG funds for two projects: for an electrical upgrade to the facility and for health care services (Family Prevention/ Intervention Project).

V. Additional Resources

The CDBG Guide to National Objectives and Eligible Activities for Entitlement Communities (also referred to as the CDBG Desk Guide) and the CDBG Guide to National Objectives and Eligible Activities for State CDBG programs are available on the Internet at:

www.hud.gov/offices/cpd/library/index.cfm

The CDBG regulations are available for both the Entitlement and State programs by clicking on the appropriate heading on the following website:

www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm