



## **HEARTH ACT SUMMARY**

### **November 10, 2010**

On May 20, 2009, President Obama signed a bill to reauthorize HUD's McKinney-Vento Homeless Assistance programs. The bill is known as the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act.

HUD is developing regulations to implement the new homeless assistance program. HUD hopes to have regulations issued for public comment by the end of 2010.

The HEARTH Act makes numerous changes to HUD's homeless assistance programs:

- Homelessness prevention will be significantly expanded.
- New incentives will place more emphasis on rapid re-housing.
- The existing emphasis on creating permanent supportive housing for people experiencing chronic homelessness will continue, although families could also be considered chronically homeless.
- Rural communities will have the option of applying under a different set of guidelines that offer more flexibility and more assistance with capacity building.

### **Definition of Homelessness**

The bill modifies the definition of homelessness and also allows grantees to use some Continuum of Care funding for people who are not homeless under HUD's definition, but are homeless under definitions of homelessness used by other federal agencies. HUD's existing definition of homelessness includes people living in places not meant for human habitation (the streets, abandoned buildings, etc), living in an emergency shelter or transitional housing facility, and—although it is not specifically described in the McKinney-Vento statute—facing the loss of housing within the next seven days with no other place to go and no resources or support networks to obtain housing.

The HEARTH Act adds to this definition situations where a person is at imminent risk of homelessness or where a family or unaccompanied youth is living unstably. Imminent risk includes situations where a person must leave his or her current housing within the next 14 days with no other place to go and no resources or support networks to obtain housing. Instability includes families with children and unaccompanied youth who: 1) are defined as homeless under other federal programs (such as the Department of Education's Education for Homeless Children

and Youth program), 2) have lived for a long period without living independently in permanent housing, 3) have moved frequently, and 4) will continue to experience instability because of disability, history of domestic violence or abuse, or multiple barriers to employment.

### **Continuum of Care Process**

The process of applying for homeless assistance funding will be similar to the current process. Applicants in a community continue to organize into a Continuum of Care and submit a joint application to HUD. The entire application is scored, and projects are funded in the order that they are prioritized in the application.

The entity applying for CoC funding is known as a Collaborative Applicant. The Collaborative Applicant is responsible for:

- Engaging in community strategic planning
- Overseeing the annual CoC application
- Conducting the biennial Point-in-Time Count
- Overseeing the HMIS Implementation
- Coordinating with other systems of care
- Promoting access to mainstream programs
- Participating in the Consolidated Plan for the geographic area served by the collaborative applicant.

A Collaborative Applicant submits a consolidated application to HUD and has other responsibilities and benefits.

- It can receive up to 3 percent of its community's funding for administrative costs. If the Collaborative Applicant is also a Unified Funding Agency, it can receive up to 6 percent.
- It may designate another entity to help it apply for and receive grants and perform other administrative duties.

Under certain circumstances, Collaborative Applicants can apply to HUD for funding as a "Unified Funding Agency.", and receive all of the funding designated for the community they represent, and then sub-grant funds to all the project sponsors in the community. In addition to the regular duties of a Collaborative Applicant, a Unified Funding Agency has to establish fiscal controls and fund accounting procedures necessary to assure the proper disbursement of and accounting for such funds in accordance with generally accepted accounting principles. It must also ensure that project sponsors use proper accounting methods and receive annual audits of evaluations of financial records.

### **Program Changes:**

Under the HEARTH Act, the Shelter Plus Care, Supportive Housing Program, and Moderate Rehabilitation/SRO programs will be consolidated into a single "Continuum of Care Program" with the same eligible activities as all of the programs combined.

Re-housing services are explicitly added as an eligible activity, including housing search, mediation or outreach to property owners, credit repair, provision of security or utility deposits, rental assistance for a final month at a location, assistance with moving costs, or other activities that help homeless people move immediately into housing or would benefit people who have moved into permanent housing in the last 6 months.

**Matching Funds:** Collaborative Applicants must provide a match equal to 25 percent of the community's total grant. The match is applied community-wide, not project by project. Collaborative Applicants do not have to provide any match for leasing grants. The match can be cash or in-kind when documented by a Memorandum of Understanding.

### **Incentives, Selection Criteria, and Set Asides**

HUD is required to provide incentives for strategies that are proven to reduce homelessness. These strategies include rapid re-housing programs for homeless families and permanent supportive housing programs for individuals and families that experience chronic homelessness. HUD can add additional proven strategies if there is research to support the strategies and after a period of public comment. A community that has fully implemented a proven strategy can apply for the incentive and use it for any other eligible activity, including the prevention and re-housing activities allowed under the new ESG program. The amount and specific nature of the incentives is not spelled out in the legislation and will be determined by HUD.

Thirty percent of funding is for new permanent housing for individuals with a disabling condition or families with an adult member who has a disabling condition. The requirement does not apply to each individual Continuum, only nationally (for example, some Communities can use 25 percent if others use 35 percent).

At least 10 percent of funding is for permanent housing activities for homeless families, which include families with or without a member with a disability. This requirement overlaps with the 30 percent requirement. (For example, 25 percent of funding could be for permanent housing for individuals with a disability, 5 percent could be for homeless families with an adult member with a disability, and 5 percent could be for families without a member with a disabling condition.)

### **Prevention and Re-housing Assistance: The New Emergency Solutions Grant**

Funding for the Emergency Shelter Grant (ESG) will be distributed by the same formula to the same jurisdictions as it is now. However, there will be significant changes in the amount of funding and how that funding can be used.

- ESG is renamed the "Emergency Solutions Grant," signifying its shift to funding homelessness prevention and re-housing, as well as emergency shelter.
- Eligible activities include the traditional shelter and outreach activities of the current ESG program, but also include more prevention and re-housing activities—short-or medium-term rental assistance, housing relocation or stabilization services such as housing search, mediation, or outreach to property owners, legal services, credit repair, security or utility deposits, utility payments,

final month's rental assistance, and moving costs or other relocation or stabilization activities. These prevention activities are similar to those being funded under the Homelessness Prevention and Rapid Re-Housing Program (HPRP).

- Prevention and re-housing activities can serve people who are homeless or at risk of homelessness, including people who have less than 30 percent of area median income and move frequently for economic reasons, live doubled up, are facing eviction, live in a hotel or motel, live in severely overcrowded housing, or are exiting an institution. Anybody considered homeless by other federal statutes can also be served with prevention or re-housing assistance.
- Funding for ESG increases to 20 percent of the amount available for homeless assistance. This is a significant increase over the existing allocation for ESG.
- At least 40 percent of ESG funds are dedicated to prevention and re-housing activities, although there is a hold-harmless provision that ensures that ESG grantees do not have to reduce funding for traditional shelter and outreach activities. In most communities, the amount of funding for emergency shelter and outreach will remain similar to current levels, but there will be much more funding for prevention and re-housing.
- ESG Grantees must consult with the Continuum of Care covering its jurisdiction on allocation of funds to carry out ESG activities.
- ESG Grantees must participate in HMIS.
- Continuum of Care entities must evaluate outcomes for projects funded by ESG, analyze patterns of use of ESG funds, and participate in the Consolidated Plan for the geographic area covered by the continuum.

### **Permanent Housing Renewals**

Funding for renewals of permanent housing rental assistance, leasing, and operating costs can come from either the appropriations account for HUD's Homeless Assistance Grants or the account for the Project-Based Section 8 program. All permanent housing renewals will be funded non-competitively for one year at a time. Project Sponsors can, if they choose, request up to 15-year contracts for project based rental assistance that would be subject to annual appropriations.

### **Non-Discrimination against Families with Older Children**

Beginning in two years, McKinney-Vento-funded shelters, transitional housing, and permanent supportive housing programs that serve homeless families are not allowed to deny admission to families based on the age of their children. There is one exception for transitional housing programs, but only if they were able to provide comparable services for the family elsewhere, and only if the transitional housing program is implementing a best practice that requires that it accept families with children of a specific age.

## **High Performing Communities**

Communities that are high performing, which means they have low levels of homelessness, can use as much funding as they want for prevention and re-housing assistance to homeless and at-risk households. To achieve designation as a high performing community, a Collaborative Applicant has to show that:

- 1 The average length of stay in homelessness has declined by 10 percent from the year before or is below 20 days;
- 2 Fewer than 5 percent of people who exit homelessness become homeless again in the next 2 years or the rate of recidivism back into homelessness declines by 20 percent from the year before;
- 3 Homeless people are encouraged to participate in homeless assistance services;
- 4 If the recipient has been a high performing community in the past, it used that designation well.
- 5 For communities that use funding to serve people who are not included in HUD's definition of homelessness but are included in other federal definitions of homelessness, the criteria would include effectiveness at helping those families and youth avoid homelessness and live independently.