State of North Carolina
2011 NC Consolidated Plan, One-Year Action Plan
Substantial Amendment

The North Carolina Department of Health and Human Services, Division of Aging and Adult Services (DHHS, DAAS) has prepared the amendment to the 2011 NC Consolidated Plan, One-Year Action Plan in accordance with the citizen participation plan and requirements of 24 CFR part 91, as amended by the Emergency Solutions Grants (ESG) Interim Rule.

1. SF-424

A signed SF-424 is attached.

2. Summary of Consultation Process

Describe how the recipient consulted with the Continuum(s) of Care on:

- *determining how to allocate ESG funds for eligible activities;*
- *developing the performance standards for activities funded under ESG; and*
- *developing funding, policies, and procedures for the operation and administration of the HMIS.*

The DAAS hosted informational conference calls on March 2 and March 9, 2012. ESG grantees, CoC staff, 10-Year Plan coordinators and State-level mainstream staff were invited to participate. The conference calls provided a summary of Federal ESG rules. In addition, conference call participants were advised that DAAS would accept nominations of persons to serve on an advisory committee to provide input regarding proposed State ESG Program policies. Persons selected to serve on the advisory group consisted of individuals representing various systems, services, and professions including, but not limited to:

- ✓ Consumers
- ✓ Health and Social Services
- ✓ Fair Housing
- ✓ Aging
- ✓ Children, Adult and Victim
- ✓ Disability Agencies
- ✓ Continua of Care
- ✓ Employment
- ✓ Veterans
- ✓ Housing
- ✓ Civic and Community Leaders

Upon the selection of the advisory committee members, the 63-member group convened on March 15, 2012 in Raleigh, NC. DAAS staff and a representative from the NC Coalition to End Homelessness presented proposed State ESG Program policies to the committee, including how ESG funds would be allocated for eligible activities, performance standards for activities, and policies and procedures for the operation and administration of the HMIS. On that day, and before and throughout the public comment period, committee members offered input to clarify and strengthen the proposed policies to ensure that ESG funding best meets the challenging needs of North Carolina's vulnerable homeless population.

Ideas for ESG activities were also solicited at several regional meetings held in April. State staff presented proposed NC ESG polices in Durham on April 10, Hickory on April 12, Asheville on April 13, Greenville on April 16, Wilmington on April 17, and Winston-Salem on April 20. At the meetings, there were more clarifying questions than comments made. The following table provides a summary of the regional meetings.

<table>
<tr><td>Date: April 10, 2012</td><td>Location: Durham, NC</td><td>Number of Participants: 57</td></tr>
<tr><td colspan="3">Key Input from Participants:
Input on the funds distribution formula
How the Balance of State Regional Committees will relate to other CoCs
Support for targeted prevention</td></tr>
<tr><td>Date: April 12, 2012</td><td>Location: Hickory, NC</td><td>Number of Participants: 47</td></tr>
<tr><td colspan="3">Key Input from Participants:
Input on the funds distribution formula
Support for transitional housing
Support for rapid re-housing</td></tr>
<tr><td>Date: April 13, 2012</td><td>Location: Asheville, NC</td><td>Number of Participants: 27</td></tr>
<tr><td colspan="3">Key Input from Participants:
Support for rapid re-housing</td></tr>
<tr><td>Date: April 16, 2012</td><td>Location: Greenville, NC</td><td>Number of Participants: 35</td></tr>
<tr><td colspan="3">Key Input from Participants:
Support for rapid re-housing
Support for funding in rural communities</td></tr>
<tr><td>Date: April 17, 2012</td><td>Location: Wilmington, NC</td><td>Number of Participants: 29</td></tr>
<tr><td colspan="3">Key Input from Participants:
Support for transitional housing
Support for hold harmless for crisis services funds within each CoC
Support for a $50,000 floor for each CoC for rapid re-housing</td></tr>
<tr><td>Date: April 20, 2012</td><td>Location: Winston-Salem, NC</td><td>Number of Participants: 65</td></tr>
<tr><td colspan="3">Key Input from Participants:
Support for transitional housing
Support for hold harmless for crisis services funds within each CoC
Input on the funds distribution formula</td></tr>
</table>

The most significant changes to the amendment based on written and other comments are outlined below.

Targeted Prevention

- Prevention activities are now limited to targeted prevention programs.

Applications from the Balance of State Continuum of Care

- The application process for the Balance of State Continuum of Care has been clarified. The Balance of State CoC will submit individual regional applications instead of one seventy-nine county application. Individual regional applications must be approved by the Balance of State CoC Steering Committee in order to receive funding.

Statewide HMIS Data

- The State remains committed to aggregating statewide data. To reach this goal, grantees will use the Carolina Homeless Information Network (CHIN) for their Homeless Management Information System (HMIS) or ensure that all data needed for program evaluation and required reports is available to integrate into the CHIN system in a timely manner. Failure to do so may result in payback of ESG funds. Agencies that are exempt from the HMIS participation requirement (i.e. domestic violence agencies) must meet separate reporting requirements.

Distribution of Funds

- The State has made a change to the process it will use for distributing funds. The greatest number of comments and feedback on the substantial amendment were related to the distribution of funds. In an attempt to reach the best option for fund distribution, the State not only held regional meetings, but also hosted three conference calls with CoC leads and 10-Year Plan staff. These calls gave the CoCs opportunities to discuss implications of a variety of funding alternatives. Throughout this process, some key funding principles were identified by a majority of the participants and will be applied to the application for FY11 second allocation and FY12 funds in one combined application process. Key funding principles are:

    - The funding process must be transparent.
    - The State should factor in entitlement funding when making decisions about distribution.
    - HPRP capacity should be maintained to the greatest degree possible and regions should receive a minimum funding level to support viable rapid re-housing programs.
    - CoCs should have adequate funding to hold currently funded facilities harmless if the CoC chooses to do so.
    - Communities that have already begun changing their systems to meet HEARTH performance standards should be rewarded.

While the State would like to allocate funding according to all of these principles, there is not sufficient funding to do so. The State will need to choose which principles to prioritize. To meet as many of these guiding principles as possible, the State will create a process that is flexible while still maintaining transparency and objectivity. The new funding process is described in Section 7.

3. Summary of Citizen Participation Process

- *Summarize citizen participation process used;*
- *Summarize the public comments or views received; and*
- *Summarize the comments or views not accepted and include the reasons for not accepting those comments or views.*

The Department of Commerce-Community Investment and Assistance, Department of Health and Human Services-DAAS, and the NC Coalition to End Homelessness posted the draft substantial amendment, including the proposed polices governing the ESG program, on their websites on April 4, 2012 with instructions to the public to provide written public comments by May 4, 2012.

In conjunction with the Department of Commerce-Community Investment and Assistance, DAAS held a public hearing on April 30, 2012 regarding the proposed amendments to the FY11 Consolidated Plan and One-Year Action Plan.

The public comments received and the State's responses are listed below.

Comment 1

From: Mike Aiken [mailto:Aiken@guministry.org]
Sent: Wednesday, April 25, 2012 10:35 AM
To: payne, iris c
Subject: Comments on NC's Proposed ESG Changes

I have been involved with working with the homeless for over 30 years at both Fayetteville and Greensboro Urban Ministry. A number of years ago, members of my staff along with board members went to visit the Pathways to Housing program in Washington, D.C. I have been sold on the "housing first" model ever since this visit, and fully support the direction of the Emergency Solutions Grant Program's emphasis on rapid rehousing. Counties which have received the traditional Emergency Shelter Grant funding need to receive at minimum the same amounts that can be re-directed to the rapid rehousing effort in their areas. Funds that were used at my agency for shelter through the old Emergency Shelter Grant program could be applied to our new rapid rehousing program Beyond GUM. Resources need to be provided where homeless men, women, and children are living. Most homeless people, according the annual point in time counts, live in our urban areas. The state must provide adequate administrative funding to local CoC's if they are asked to monitor and manage these grants.

I look forward to our continuing partnership with the state and federal government in our efforts to reduce and end homelessness for all North Carolinians!
Rev. Mike Aiken
Executive Director
Greensboro Urban Ministry
336-553-2639 (direct line)
http://www.greensborourbanministry.org

State's Response: The State has adjusted its funding distribution plan to create an opportunity for CoCs to have adequate funding for a core rapid re-housing program.

The State believes that by using the pro rata share formula created by HUD as the basis of its funding distribution plan, which already has an emphasis on allocating funds to urban areas, State ESG funds are being targeted to communities based on an objective measurement of need. In addition, the funding plan described in this final substantial amendment creates opportunities for every community to potentially receive more money than was described in the draft substantial amendment.

Comment 2

From: Jean Williams [mailto:Jean.Williams@womenscenterwc.org]
Sent: Tuesday, April 24, 2012 2:02 PM
To: payne, iris c
Subject: Comments on the substantial amendment to the Consolidated Plan

Re: Page 5, Item 2. Prevention
This reads identical to Rapid Re-housing and appears to assume that the only prevention would be re-locating households. I would recommend that this section be changed to Targeted Prevention for households at risk of homelessness. Criteria would include: households at 30% AMI or below; specific method of targeting will need to be clearly outlined in proposals; and require a minimum of 6 month follow up report on stability of households who are served. Examples of targeting criteria could be zip code or census tract (known to have a high density of <30% AMI households) and developing a profile of households who are homeless in their CoC area and using that as criteria for households who could receive prevention assistance.

While it is difficult to reliably measure outcomes and effectiveness of homeless prevention programs, that does not mean we should not strive to identify ways that can establish some baselines of criteria to help households remain in their housing. Encouraging local colleges and universities to assist programs in developing more robust criteria and evaluation methods could lead to North Carolina developing a model for the rest of the nation.

Re: Page 12 – "Requiring households to pay more than 40% of their income for rent must be approved at the State level on a case by case basis." Need to clarify if that includes utilities or is just rent. Prior paragraph speaks to housing costs as opposed to only rent.

Jean Williams, Ph.D.
Women's Center of Wake County
112 Cox Avenue
Raleigh NC 27605

Home: 6915 Holly Springs Road
Raleigh NC 27606

State's Response: The State has incorporated this recommendation to limit prevention activities to targeted prevention.

Wording related to households paying more than 40% of their income on rent will remain the same since the percentage was not intended to include utilities.

Comment 3

From: Darryl Kosciak [mailto:darryl@partnersendinghomelessness.org]
Sent: Friday, April 27, 2012 1:50 PM
To: payne, iris c
Subject: Comments for State's ESG proposal

Iris,

Thank you for coordinating the Public hearing on April 30th. Here are a variety of comments sent on behalf of the Guilford County CoC. Some of these same elements will be a part of our comments at the hearing on Monday.
1. See attached- Alternative funding Formula entitled the "Consumer Driven Allocation Plan"
2. See attached- formal endorsement of this plan from the Partners Ending Homelessness Board of Directors

3. We recommend using the Independent Sector's approved valuation of volunteer time as the measure for match: $18.80 in the state of NC
http://www.independentsector.org/release_value_volunteer_time
Independent Sector is a leadership network of 600 nonprofits, foundations, and corporate giving programs committed to advancing the common good. Our nonpartisan coalition leads, strengthens, and mobilizes the sector; we advocate for public policies that fortify our communities; and we create unparalleled resources so staff, boards, and volunteers can further their missions and increase their impact.

4. We recommend a limit on the cash match to 50%. This will encourage more coordinated partnerships at the local level to leverage already existing funds (TANF, Section 8 etc...) If 100% cash match is required it may slow or impede the necessity of those relationships and further exhaust currently exhausted local funders. Plus the administrative money is so low, those of us who are non-profits that are going to be

charged in doing administration and oversight will need local funds to allow us to do this work.

5. Rushing into MOU/MOA agreements should be cautioned in year one. Many folks may not fully understand what they are entering into MOU's for nor how the relationship needs to work. If an MOU is entered upon agencies may have an expectation of future funding or partnership whether they produce results or not. I think it would be appropriate in year 1 for the sub contracts to spell out the terms of the relationship and the nature of agency relationships. After year one, roles and expectations will be much clearer and MOU's will be more accurate and easy to understand how an agency/program fits into the larger spectrum.

6. If an agency meets the criteria established by the State for a lead agency and fiscal sponsor status then that agency should be directly granted a full share of the Administration money allowed under this grant program equal to 7.5% of the CoC's state funding allotment.

Martha has the plan and explanation and rationalization already. We just wanted it to be formally entered into the record. We will bring a hard copy with us on Monday (it doesn't print neatly onto standard sizes of paper)

Thanks,

Darryl
--
Darryl Kosciak
Executive Director
Partners Ending Homelessness
1500 Yanceyville St, Greensboro, NC 27405
201 N Church Ave, High Point, NC 27262
336-553-2715 ext 102
336-553-2716- fax
darryl@partnersendinghomelessness.org
www.partnersendinghomelessness.org

State's Response: The final funding decision was made after taking all CoCs' comments into account. The State believes that by using the pro rata share formula created by HUD as the basis of its funding distribution plan, which already has an emphasis on allocating funds to urban areas, State ESG funds are being targeted to communities based on an objective measurement of need. In addition, the funding plan described in this final substantial amendment creates opportunities for every community to potentially receive more money than was described in the draft substantial amendment.

The State is asking CoCs to use the same formula for determining the value of volunteer time as outlined in Section 506.201 of the Federal Register.

The State does not intend to change the cash match requirements for FY11. The recommendations about changing cash match will be taken into consideration for future years.

The State will only be requiring MOU/MOAs between shelters and rapid re-housing programs. Others will be encouraged, but not required.

The ESG interim rules require that the State share administrative funds with local governments with which it contracts. The State intends to share administrative funds with all CoCs with which it contracts, whether or not the fiscal sponsor is a local government. However, the State will retain a significant percentage of the funds for administration at the state level. This state level administration will include several tasks including training of sub-grantees and monitoring of sub-grantees and any entities with which they contract.

Comment 4

: Beverly Williams [mailto:bevfloydwilliams@bellsouth.net]
Sent: Sunday, April 29, 2012 10:44 AM
To: payne, iris c
Cc: Beverly I. Williams
Subject: Homelessness: Person Centered Approach Critically Needed

As a member of Guilford County's Partners Ending Homelessness (PEH) Board of Directors, I encourage the State of North Carolina to adopt and adhere to a viable, realistic person centered approach when addressing homelessness. PEH believes that Rapid Rehousing is the most cost effective method to move quickly into permanent housing; however, urban Continuums of Care (CoC's) need sufficient funding to adequately address this significant challenge. Guilford County is strategizing with community service providers and energetically striving to maximize limited dollars to assist our homeless residents plus new arrivals from rural areas. Please enhance funding to Guilford and other CoC's that are currently serving the vast majority of homeless women, men and children in North Carolina! Your thoughtful consideration of this position will be sincerely appreciated.
Thank you
Beverly Williams

Beverly Williams
47 Folkestone Drive
Greensboro,NC 27403
H: 336-855-1623
bevfloydwilliams@bellsouth.net

State Response: The State has adjusted its funds distribution plan to create an opportunity for CoCs to have adequate funding for core rapid re-housing programs.

The State believes that by using the pro rata share formula created by HUD as the basis of its funding distribution plan, which already has an emphasis on allocating funds to urban areas, State ESG funds are being targeted to communities based on an objective measurement of need. In addition, the funding plan described in this final substantial amendment creates opportunities for every community to potentially receive more money than was described in the draft substantial amendment.

Comment 5

From: maryshousegso@aol.com [mailto:maryshousegso@aol.com]
Sent: Tuesday, May 01, 2012 4:18 PM
To: payne, iris c
Subject: ESG comments

On behalf of the Board of Directors of Mary's House, we wish for the state to consider a fairer allocation of the funds for the Emergency Solutions Grants. The vast majority of the homeless reside in the large urban areas of the state and yet the majority of the new funding is scheduled to go to the balance of state. Please consider the plan offered by the Partners Ending Homelessness or a revision of it that distributes the funding where the consumers are located. While we recognize that some new funding should certainly go to the BOS, the first plan of the state is not fair to the urban areas where the consumers reside.
Thanks you
Michael Jackson
Board Chairperson

State's Response: The State has adjusted its funds distribution plan to create an opportunity for CoCs to have adequate funding for core rapid re-housing programs.

The State believes that by using the pro rata share formula created by HUD as the basis of its funding distribution plan, which already has an emphasis on allocating funds to urban areas, State ESG funds are being targeted to communities based on an objective measurement of need. In addition, the funding plan described in this final substantial amendment creates opportunities for every community to potentially receive more money than was described in the draft substantial amendment.

Comment 6

Suggestion for allocation of ESG funds
A majority of the funds (60%?) could be distributed on a formula basis (the COC pro rata is one such formula) so that every COC and every region of the Balance of State will get a base-level of funding.
The remaining funds (40%?) could be distributed on the basis of a simple application:

1. What is your community's level of homelessness? 0-5 points

   a. CHIN data
   b. Point in Time
   c. Any other available data (example: census data about number of extremely low income compared with the number of housing units affordable at that income level)
2. What is your community's capacity to provide services? 0-4 points
   a. Satisfactory performance on Emergency Shelter Grants
   b. Satisfactory performance on HPRP
   c. Any other evidence of infrastructure or feasible plan to provide rapid re-housing services
3. Is there an entitlement jurisdiction within your COC? 0 for yes, 1 for no

The point system would give most weight to need (consumer-centered), then to capacity, and then to non-entitlement communities. Maybe the total number of points on all applications can be divided into the dollar amount for this part of the funding to calculate the allocation to each. Or something like that.
This would provide basic funding for all areas but then reward communities that develop the capacity to accomplish our goal of ending homelessness. While we don't want a flat formula to cut out the rural areas that may not yet have much infrastructure, we don't want a flat formula to cut off successful programs, either. The data for this application is easily available to the state and to each community but it also leaves room for communities to document need/capacity some other way if they have not previously participated fully in these standard measures.
Beth McKee-Huger MSW
Greensboro Housing Coalition
beth@greensborohousingcoalition.com 336-691-9521

State's Response: The State has adjusted its funds distribution plan to create an opportunity for CoCs to have adequate funding for core rapid re-housing programs.

The State believes that by using the pro rata share formula created by HUD as the basis of its funding distribution plan, which already has an emphasis on allocating funds to urban areas, State ESG funds are being targeted to communities based on on an objective measurement of need. In addition, the funding plan described in this final substantial amendment creates opportunities for every community to potentially receive more money than was described in the draft substantial amendment.

Comment 7

Comments from the NWCoC on the 2011 Amended Consolidated Plan and the 2012 Amended Consolidated Plan
ESG funding plan assumes areas out of the control of CoC's:
 Section 8 voucher availability – Many communities have long waiting lists or are frozen or closed (Why is there not additional funding going into Section 8 vouchers to compliment ESG funding?). A true solution to homelessness would be where enough

funding was put with Section 8 vouchers for all those who need subsidized housing assistance. However, unlike SNAPs (Food stamps) where funding is provided to all who are eligible, only 10% of those eligible for Section 8 actually receive the assistance. If communities are going to be tasked with moving individuals and families out of emergency shelter within 30 days and to have a plan to stabilize households beyond rapid rehousing's maximum time of 24 months, vouchers are a must in being available. Currently that is not the situation for most if not all communities.

 Mental Health / Substance Abuse Services – State priorities for funding MH/SA services are shifting with the start of Managed Care Organizations handling Medicaid as well as State funding to providers. Case management services are disappearing, services that assist clients with navigating other community resources that may be needed such as making referrals/ assisting with housing applications to programs/available units. Without these needed case management services, persons with mental health/substance abuse services may not be able to access needed resources assuming that there are available resources in the community. This lack of services for these persons presents a huge obstacle to the provision of stable permanent housing, as is the goal of ESG.

 Employment – Unemployment #'s are still high despite some minor declines, especially in rural areas. Where jobs are available, the type of jobs is an issue – low paying minimum wage, part-time jobs do not pay a living wage for a homeless family to keep housing once assistance from ESG runs out. Underemployment is also an issue in our area leading to lower wages. Underemployment has always been a strong factor in rural homelessness, which also tends to have higher levels of first time homeless.

 Affordable Housing Stock – In certain areas of the state (i.e. university towns, tourist and second-home owner destinations), affordable housing availability is almost non-existent. In these places, occupancy is 99% much of the year. Rapidly rehousing individuals and families to where is the question when there is no availability of decent and affordable housing that is accessible to services and employment. One might counter that this would present an opportunity for developers to build additional housing. However, in these locations, developers do not have the necessary incentives to build affordable housing, only housing for students and non-affordable housing for high-end second homeowners.

 Safe Housing Stock – In rural areas of the state, much of the available housing stock is in bad repair and not located near services and employment opportunities. Many landlords are individuals barely making ends meet themselves. What incentives are there to improve safe housing?

 Other Revenue streams for match as well as administering ESG – With a required match of 100% (100% Cash is the goal of ESG plans) and only a trace of administrative ESG $ passed on to local CoC's, where will the $ needed to provide match as well as $ for actually operating the administrative tasks of ESG (everyone knows it will take more $ to perform the administrative tasks assigned than will be provided to CoC's) really come from? Local sources? Many, if not all, local sources are tapped out. Other sources such as HUD-VASH are not available in all areas, particularly rural areas far removed from VA medical centers. Despite an abundance of S+C in many areas of the state, not all areas have access to this funding. HOME funding also does not exist everywhere.

- **Transportation** – Many areas of the state (particularly rural areas) face transportation challenges for its population in accessing services. Scattering persons/families in rural housing and then requiring them to access services that requires transportation of them or the ESG caseworker to assist them results in inefficiencies in service provision. Having services near enough to their housing is ideal. However, rural areas are by definition spread out from services and will result in isolation of the persons needing services.
- **Transitional Housing** – While HUD may have changed their mind on this type of housing; it does have a place in the housing continuum. Many persons/families who find themselves in shelter have burnt all their bridges and it takes time (longer than 30 days for sure) to rebuild those support networks/income streams to put them back in permanent housing. Many transitional programs have had really great outcomes for persons/families with low return rates to shelters. Why should the bad outcomes of some programs negate this type of housing for those with great outcomes? And what happens to individuals and families that can't find an affordable unit to rent within 90 days? Where would they go? Or what about an individual without any IDs, it takes longer than 90 days to replace IDs, where do they go?
- **Rural vs. Urban Model –** Rural Homelessness does not look the same as Urban Homelessness. We have concerns about implementing an urban model in rural areas and assuming it will be as successful as in an urban setting.
- **Funding –** "Robbing Peter to Pay Paul" – It is recognized that funding is scarce and communities have to be creative in funding community needs. However, replacing shelter funding with funding for rapid rehousing over the long-term is not an ideal approach. Funding for all types of housing have their benefits and should be funded: Emergency Shelters, Transitional, Permanent Supportive, and Permanent Housing. Also, in looking at our multi-county probable share of ESG funding, it appears that the rapid rehousing funding will only provide for housing 1 person/family per county for the maximum of program (24 months). How will housing 7 persons come close to reducing homelessness when our Point in Time Count annually shows far higher #'s of homelessness?

Though we understand the intent of rapidly rehousing homeless individuals and families we have some concerns. We believe that this is one of several viable options in working with the homeless. We serve 7 rural mountain counties covering over 2500 square miles and the cost of providing community based services including case management will be a challenge. We have concerns about the adequacy of funding for this approach. We have not seen the data that shows this to be more cost effective and are concerned that many we serve will require long term assistance (housing and services) in order to maintain housing stability. In addition there is an assumption that communities have an adequate supply of decent and affordable housing that can be accessed in 30 days or less. In addition, if communities had more funding to cover section 8 housing vouchers more households could afford housing in the communities they reside and not become homeless.
Is there any acceptable level of transitional housing. As it stands now, our CoC only has 33 transitional housing beds for 7 counties. What if we can't get someone stably housed within 90 days, where would they go?
Lynn Mason

State's Response: The State recognizes that many factors influence housing circumstances in each community. Even so, the State is challenged to create a program that maximizes each community's potential to be successful in meeting HEARTH Act performance measures.

The State has adjusted its funds distribution plan to create an opportunity for CoCs to have adequate funding for core rapid re-housing programs.

The State believes that by using the pro rata share formula created by HUD as the basis of its funding distribution plan, which already has an emphasis on allocating funds to urban areas, State ESG funds are being targeted to communities based on an objective measurement of need. In addition, the funding plan described in this final substantial amendment creates opportunities for every community to potentially receive more money than was described in the draft substantial amendment.

Comment 8

**Piedmont Regional Committee
Of the
Balance of State Continuum of Care**

Piedmont Regional Executive Committee

Floyd R. Davis, Jr.
Co-Chairperson

Jim Curtin
Co- Chairperson

Nicole R. Dewitt
Executive Secretary

Ed Hosack
Cabarrus County

David Holston
Rowan County

Barbara Walser
Davidson County

Garry Lewis
Stanly County

Derrick Burnell
Union County

May 2, 2012

Iris Payne
Attn: Public Comment
Community Investment and Assistance
4313 Mail Service Center
Raleigh, NC 27699-4314

Dear Iris,

The Piedmont Regional Committee of the Balance of State serves Cabarrus, Davidson, Rowan, Stanly and Union Counties. Our January 25, 2012 Point In Time Count indicated that our region had 337 families, comprised of 526 individuals, experiencing homelessness. On behalf of all families in our communities experiencing homelessness, we submit our support for State Proposal #2 for ESG FY11b funds as well as FY12.

We believe that State Proposal #2 is the most consumer friendly option and creates an inclusive funding allocation process that is fair for our agencies in the Piedmont Region. While there is increased burden on the State in accepting several applications as well as the individual agencies in writing our own applications, this process has familiarity for the Balance of State. Similarly, we support this proposal because of its objectivity in treating equally our state's homeless population regardless of their physical location.

We hope that you will strongly consider our position in planning the funding allocation process for Emergency Solutions Grants FY11 and FY12. If you have any questions, please contact Floyd Davis at 704-943-9491 or Jim Curtin at 704-721-7066.

Sincerely,

F R Davis
Floyd R. Davis
PRC Co-Chair

Jim Curtin
Jim Curtin
PRC Co-Chair

State's Response: The State has moved forward with using what is known as "State Proposal #2" for its funding distribution plan.

Comment 9

From: Dan Ferrell [mailto:dan.Ferrell@uwcfa.org]
Sent: Tuesday, May 01, 2012 3:38 PM
To: Are, Martha;
Subject: Our CoC met this morning - Here's what we propose!
Importance: High

Martha,

Based on the Wilmington COC's HPRP program results, rapid re-housing (for which the 2011B funds are earmarked) benefits greatly from economies of scale. The same infrastructure required to assist half a dozen individuals/families – centralized intake, designated service provider, coordinated fiscal responsibility – can assist hundreds of families with relatively little added in terms of marginal costs. For this reason, it makes little sense to disburse amounts as low as $18,083 (Orange), $30,175 (Northwest), or $36,677 (Wilmington).

Our COC proposes that the 2011B funding formula be changed so that no COC receives less than $75,000 in funding. Six communities would receive less than this under the "pure" pro rata need formula (Buncombe, Cumberland, and Gaston, in addition to those mentioned above), and their amounts should be raised to $75,000. The funds needed to do this could come from some combination of the Balance of State, Mecklenberg, and Wake – which are slated to receive between $665,402 and $179, 854. Even if all the funds were to come from Balance of State, the BOS would still have $426,593 available.

Setting a floor of $75,000 makes it possible for communities who put in place an effective service delivery model for HPRP to continue to use that model. In the case of Wilmington's proposed $36,677 (under the "pure" pro rata formula), it would be nearly impossible to do so and would make much more sense to simply give that amount to two or three agencies to assist clients in obtaining housing. Wilmington's HPRP model was tremendously successful, and starving it of funds would be a disservice to the populations we are all trying to serve

Dan Ferrell
Strategic Director

10 Year Plan to End Chronic Homelessness
and Reduce Homelessness in the Cape Fear Region

5919 Oleander Dr., Suite 115
Arboretum Center Building II
Wilmington, NC 28403
910-798-3900 X115

910-798-3917 (fax)

State's Response: The State has adjusted its funds distribution plan to create an opportunity for CoCs to have adequate funding for core rapid re-housing programs.

The State believes that by using the pro rata share formula created by HUD as the basis of its funding distribution plan, which already has an emphasis on allocating funds to urban areas, State ESG funds are being targeted to communities based on an objective measurement of need. In addition, the funding plan described in this final substantial amendment creates opportunities for every community to potentially receive more money than was described in the draft substantial amendment.

Comment 10

: Darryl Kosciak [mailto:darryl@partnersendinghomelessness.org]
Sent: Friday, May 04, 2012 4:07 PM
To: payne, iris c
Cc: Are, Martha; Leach, Michael
Subject: final comments on ESG 11b substantial amendment

Hi Iris,

Here are couple more thoughts on the 11b (and 12) substantial amendment.

I think that contracting between CoC's to address the urban/rural dilemma is a good idea, but is a bureaucratic nightmare that will not be able to translate from paper to reality. I do not think (especially in CoC's with municipalities as the lead agency) it will be able to be worked out. It is a real good attempt to resolve the problem, but it could easily be subverted by any number of local issues that prevent two CoC's from working together. It is ok to include it as an option, but not to be used as a way of solving the current funding dilemma.

It was stated earlier in conference calls and trainings that if the fiscal agent was a local municipality then the state would be required to send along the 7.5% administrative portion to that municipality. If this is true it needs to be stated as such in the amendment.

I do like a good bit of the amendment as written other than these comments, the ones I made earlier, and the still to be determined funding allocation. I would like for the application to be clear about the difference between eligible activities and preferred activities when it is presented to the CoC's.

Darryl
--
Darryl Kosciak
Executive Director

Partners Ending Homelessness
1500 Yanceyville St, Greensboro, NC 27405
201 N Church Ave, High Point, NC 27262
336-553-2715 ext 102
336-553-2716- fax
darryl@partnersendinghomelessness.org
www.partnersendinghomelessness.org

State's Response: While HUD does require that the State share a portion of the administrative percentage with units of local governments with which it contracts, HUD does not require that the State give all of the administrative funding to sub-grantees.

Comment 11

From: Pfeiffer, Rebecca [mailto:rpfeiffer@ci.charlotte.nc.us]
Sent: Friday, May 04, 2012 9:40 AM
To: payne, iris c
Cc: John Burns (jburns@cha-nc.org); Are, Martha
Subject: Comments on State's ESG Implementation Plans

On behalf of the Charlotte-Mecklenburg Continuum of Care the following comments are submitted in response to NC ESG Implementation Plans:

Substantial Amendment to FY11b and FY12 ESG funds

1) Section 6a: states that CoC's will be expected to use a standard form to determine eligibility.
    - We would recommend it be worded to say *move toward* using a standard form
2) Section 6b: referencing CoC's coordination between all homeless stakeholders and MOAs
    - Are Housing Stability Teams required to receive ESG dollars?
    - If yes and communities do not currently have teams in place, how long will communities be given to develop and implement team approach?
3) Section 6e: referencing households exiting program
    - How is re-engage being defined?
    - Will households have to be automatically re-entered into the program for the remainder of their months of eligibility or can re-entry be based on eligibility criteria at the time of request for additional services?

Respectfully submitted,

Rebecca Pfeiffer, co-chair of Charlotte-Mecklenburg CoC
John Burns, co-chair of Charlotte-Mecklenburg CoC

State's Response: The State has accepted the wording change raised in the first point. Other requests are related to additional detail that will be provided in the application, frequently asked questions, and future HUD guidance.

Comment 12

Crisis Ministry of Davidson County
(Formally Ecumenical Social Ministry)

Gayle Whitehead
Director

107 East First Avenue
Lexington, North Carolina 27292

Phone:
(336) 248-6684

May 9, 2012

Iris Payne
Attn: Public Comment
Community Investment and Assistance
4313 Mail Service Center
Raleigh, NC 27699-4314

Dear Iris,

The Piedmont Regional Committee of the Balance of State serves Cabarrus, Davidson, Rowan, Stanly and Union Counties. Our January 25, 2012 Point In Time Count indicated that our region had 337 families, comprised of 526 individuals, experiencing homelessness. On behalf of all families in our communities experiencing homelessness, we submit our support for State Proposal #2 for ESG **FY11b** funds as well as **FY12**.

We believe that State Proposal #2 is the most consumer friendly option and creates an inclusive funding allocation process that is fair for our agencies in the Piedmont Region. While there is increased burden on the State in accepting several applications as well as the individual agencies in writing our own applications, this process has familiarity for the Balance of State. Similarly, we support this proposal because of its objectivity in treating equally our state's homeless population regardless of their physical location.

We hope that you will strongly consider our position in planning the funding allocation process for Emergency Solutions Grants FY11 and FY12. If you have any questions, please contact Floyd Davis at 704-943-9491 or Jim Curtin at 704-721-7066.

Sincerely,

Gayle Whitehead

Gayle Whitehead
Executive Director

MAY 11 2012
NC DEPT. OF COMMERCE
COMMUNITY ASSISTANCE

State's Response: The State has moved forward with using what is known as "State Proposal #2" for its funding distribution plan.

<u>Comment 13</u>

NCCEH **North Carolina Coalition to End Homelessness**

securing resources ▪ encouraging public dialogue ▪ advocating for public policy change

P.O. Box 27692 Raleigh, NC 27611
info@ncceh.org www.ncceh.org 919.755.4393

To: Iris Payne, NC Department of Commerce Martha Are and Michael Leach, NC Department of Health and Human Services

From: Denise Neunaber, Executive Director

Date: May 4, 2012

Re: NCCEH Official Comments on the Substantial Amendment to 2011 Consolidated Plan

The North Carolina Coalition to End Homelessness is a statewide membership nonprofit created to secure resources, encourage public dialogue, and advocate for public policy change to end homelessness. NCCEH seeks to create alliances dedicated to changing the current system to end homelessness by addressing root causes and challenging North Carolina's acceptance of today's pervasive homelessness. Because we know this pervasive homelessness has not always existed, we know we can end it. NCCEH represents a statewide viewpoint and is committed to working to end homelessness in all of North Carolina's 100 counties.

NCCEH supports the State's commitment to find a new approach to distributing funds that reflects the new eligible activities. We would like to thank the State for taking an assertive and thoughtful approach in its transition to the new Emergency Solutions Grants Program. The State has shown a commitment to partner with all levels of ESG stakeholders through multiple online trainings, in-person trainings and an open dialogue. We look forward to continued dialogue and partnership.

The State should adopt State Proposal #2 for determining funding allocations.

This Proposal would:

- **Create a transparent and fair funding structure.** State Proposal #2 is based on a clear and consistent standard that is fair and transparent. There have been many recommendations made to the State on how the funding formula might be tweaked to meet different communities' needs. The State should adopt a funding structure that can be applied in future years, not only in 2012. By adopting State Proposal #2, the State will have the opportunity each year to address individual community needs and the State's funding priorities in the application process in an expected redistribution of funding from areas that do not apply or do not meet the State's application threshold. The State should commit to a fair and standard formula and address individual community concerns that may change from year to year through an application and scorecard.

- **Use the CoC Pro Rata Need to determine a fair share percentage for cities and counties.** This would allow the State to publish an ESG fair share listing that would alert every community to the amount that it is eligible to apply for. By using the Pro Rata Need with no additional adjustments (such as a minimum for rapid re-housing or hold harmless need for existing ESG grantees), the funding approach can be used for years to come and is not a stop-gap measure that might work this year and but not in future years.

- **Protect future opportunity for small communities.** It would allow all communities to continue to be eligible for future funding even if they do not apply in 2012. It would reserve the right of communities to build capacity and apply in the future, as opposed to other proposals that assume some communities do not have need or cannot create capacity. It is important for the State not to penalize communities that are working to build capacity to address their need.

- **Treat all geographic areas equally.** There are 5 entitlement communities in North Carolina that receive a direct allocation for ESG from HUD. These funds should be included in calculations when determining the State ESG's funding distribution. Not including these figures would create a disadvantage to non-entitlement communities. By using the Pro Rata Need, community need is established based on factors that contribute to homelessness. The State is responsible for working to end homelessness in all 100 counties and should not use a formula that would place a higher value on a homeless household because of their county of residence. State Proposals #1 and #2 are the only funding structures that have been proposed that do not penalize a homeless household because of where they happen to live.

- **Allow communities to apply on a regional basis.** Under State Proposal #1, 12 CoCs would apply to the State. State Proposal #2 would have 11 CoCs apply as CoCs and allow the Balance of State (BoS) CoC to apply through its Regional Committees. This would result in approximately 33 applications to the State. BoS CoC Regional Committees in many ways are similar to the other 11 CoCs. While this process could serve as a potential disadvantage to BoS Regional Committees that have little administrative capacity, it will provide necessary incentive to build that needed capacity. It will also allow any future competition to be fairer. Balance of State Regional Committees will be able to compete on their own merit instead of as one large 79-county applicant.

- **Allow non-Balance of State CoCs an opportunity to apply for unused funds.** When the State created the Balance of State CoC, it ensured that North Carolina was not leaving federal CoC dollars on the table. In the BoS CoC, some regions do not apply for CoC funds each year. This enables other BoS regions to apply to use those funds, ensuring that no funds are left unused. Under State Proposal #1, the Balance of State CoC would apply to the State with one application. This would be in the best interest of Balance of State communities because any region's unused funds could be automatically captured by another BoS region. However, it could provide an unfair advantage to BoS communities over non-BoS areas in the ESG application. State Proposal #2 provides a creative solution to this situation that ensures access to unused funds to all North Carolina communities. Unlike HUD's CoC funds, the State has the ability to share unused ESG dollars across other Continua and should do so as it allows all communities equal opportunity to access unused funds. The State should disperse unused funds based on its current priorities. The State should have a preference to keep funds within the Continuum where the funds were originally allotted, but use the funds in another CoC when it is in the best interest of households experiencing homelessness. While we expect that most areas of low capacity will be within the Balance of State CoC, there may be other CoCs that are unable to meet the State's funding threshold. In these cases, funding should be redistributed to other CoCs under the same process.

- **Provide each CoC the authority to assist in deciding how ESG funds should be used within their Continuum.** We applaud the State for creating a new system in which CoCs will have some decision-making power over which agencies receive funds within their CoCs. Under HEARTH, communities' competitiveness for CoC funds will be affected by their use of ESG funds. Because of this, it is important that each CoC has the authority to inform how ESG funds are used within its jurisdiction.

- **Provide each community with the authority to make local decisions.** Because the Balance of State is comprised of 79 counties, it is organized into Regional Committees that are similar to the other CoCs in many ways. State Proposal #2 will give Regional Committees the same ability as other CoCs to determine which programs will best address local need in their communities. In giving new authority to local communities, however, it is important that the State retain final control of funding decisions and provide guidance and parameters to communities that ensure effective use of the funds.

NCCEH recommends the following additional considerations for determining funding:

- **Distribute funding based on priorities for ending homelessness.** We encourage the State to design the new ESG program to incentivize communities to design programs that will have the greatest impact on ending homelessness and assist our

State in transforming our crisis response system. We encourage the State to consider the list of System Change Strategies from the National Alliance to End Homelessness when determining priorities and incentives, which includes:

- Transitional Housing Conversion
- Expanding Rapid Re-Housing Capacity
- Converting Shelter Beds to Rapid Re-Housing Resources
- Shelter Diversion
- Targeted Prevention
- Creation of Permanent Supportive Housing
- Exits from Permanent Supportive Housing
- Coordinated Intake System
- Common Barrier Assessment and Targeting Tool
- Performance Improvement Process
- Progressive Engagement
- Mainstream Employment Partnerships

Furthermore, we encourage the State to work with communities to increase performance through program design changes, such as focusing on permanent housing exit plans from program entry.

- **Focus on performance outcomes.** We encourage the State to use HEARTH outcomes measures in determining future funding decisions and as a guidepost for training and technical assistance efforts. The State should move aggressively to achieving goals set forth in the Federal Strategic Plan to Prevent and End Homelessness and local ten-year plans. We ask that the State continue to design the ESG program around HEARTH's goal to "establish a federal goal of ensuring that individuals and families who become homeless return to permanent housing within 30 days" and adopt this a the top NC ESG program goal.

  Determine community need. There should be some consideration of each community's need when distributing funds. This can be achieved either by looking at factors that contribute to homelessness or by looking at homeless numbers through the Point-in-Time Count or HMIS data. NCCEH recommends that the State use the first option, factors that contribute to homelessness, as there are many disadvantages to using homeless counts to determine funding levels at this time. Point-in-Time Counts are not standardized across all NC communities, so using the Point-in-Time Count would not be a standard measure for determining need. In addition, it could lead to the unintended consequence of rewarding communities for having a higher number of homeless households. Using HMIS data could lead to the same problem. In addition, there are varying levels of HMIS use, bed coverage, and data quality amongst the CoCs. While increasing HMIS use and bed coverage and improving data quality is important and should be encouraged by the State, HMIS homeless counts should not be used in deciding funding allocations this year while communities are still working to improve their usage, as the counts are currently an inaccurate and inconsistent measure. The State should encourage communities to improve their performance on HEARTH measures: decreasing numbers of new homeless households, decreasing length of stay while homeless, and decreasing numbers of returns to homelessness (recidivism). Using higher numbers or percentages of homeless households in the formula for determining funding allocations would be contrary to how CoCs will be scored by HUD.

- **Commit to building infrastructure in low capacity areas.** Individuals and families experiencing homelessness in areas with no or little capacity are penalized under the current structure because they are unable to access assistance. The State should not create a funding structure that further exacerbates this problem. Instead, the State should commit to assisting communities that do not apply for funds or meet the funding threshold to build capacity in order to better serve their residents and access ESG funds in the future.

- **Protect current infrastructure while moving as aggressively as possible towards building rapid re-housing programs.** As North Carolina moves forward in transforming its crisis response system, there are many difficult decisions that lie ahead. The State should not take those decisions away from local communities by creating a hold harmless provision for existing ESG grantees. The State should encourage communities to designate as much of their allocation for rapid re-housing programs as possible. If a hold harmless provision is considered when determining distribution of funding, HPRP dollars must be taken into account. Considering only existing ESG grantees in a hold harmless provision would be taking a step backwards. Several NC communities have already begun to decrease shelter beds and downsize transitional housing. A hold harmless provision for existing ESG grantees would punish these communities and would be contrary to the State's stated intention to reward high-performing communities. NCCEH believes that retooling our system should be done with intention and flexibility. We cannot afford to lose any of our current infrastructure before new rapid re-housing infrastructure is built. Allowing local communities to decide whether to continue funding their facilities at the current level or to make cuts in order to invest in rapid re-housing will allow for the most informed plan for transition.

- **Maximize other funding.** The State should set priorities and incentives for funding that will maximize North Carolina's competitiveness for CoC funds and leverage other public and private funds.

- **Ensure CoC oversight for the Balance of State.** In allowing Regional Committees to apply on their own and not through the Balance of State CoC, it could put the BoS at a disadvantage. There should be a process for CoC oversight and approval built into the regional applications.

- **Prioritize rapid re-housing.** NCCEH recognizes that it is difficult for the State to estimate how the second allotment of FY2011 funds will be used before project applications have been submitted to the State. NCCEH supports the State's decision to use a majority of the funds for rapid re-housing. While it is estimated to be 80% in the substantial amendment, we encourage the State to invest as much as possible in rapid re-housing when distributing funding in order to maximize the impact of ESG funds on decreasing homelessness.

- **Encourage targeted prevention.** Prevention efforts are an important aspect to closing the front door to the homeless system. The State should use the latest evidence-based research to determine the best approaches for prevention and to work to implement these approaches in North Carolina. For projects that apply to use ESG funding for prevention, we encourage the State to only fund targeted prevention programs, which are programs that target households that are most likely to become homeless, in order to ensure effective use of funds.

- **Cross-CoC contracts**. In order to end homelessness in North Carolina, all CoCs will need to work in partnership. We support the State's intention to allow cross-CoC contracts and encourage the State to continue to build collaboration across CoC leadership and provider agencies. NCCEH understands cross-CoC contracts to mean that provider agencies that serve one CoC could contract with another CoC to expand the agency's geographic reach. This is not a contract with two CoCs, but a way to allow provider agencies to apply for funding in multiple CoCs. This aspect should be clarified in the substantial amendment as it is unclear and embedded in a section about CoC contracts.

State's Response: The State has moved forward with using what is known as "State Proposal #2" for its funding distribution plan. The State has incorporated the recommendation to limit prevention activities to targeted prevention and supports the concept of cross-CoC contracts. The State agrees with the concept of distributing funds based on priorities for ending homelessness.

Comment 14

From: Dan Ferrell [mailto:dan.Ferrell@uwcfa.org]
Sent: Monday, April 30, 2012 11:19 AM
To: Are, Martha
Cc: Angela Keith (Angela.Keith@secmh.org); Chris Nelson; Julia Steffen; Lee Anna Stoker (lstoker@firstfruitministries.org); director@wihn.net; dvexecdir@earthlink.net; Richard_Watts@uss.salvationarmy.org; Korey Giordano (korey.giordano@uss.salvationarmy.org); Michael J. Krause (m.krause@wha.net); Thompson, Jason; Sarah Davis; 'Crowell, Kym' (KCrowell@nhcgov.com)
Subject: 10 Year Plan Public comments on ESG Substantial amendment and the ongoing

discussion of dollar allocation - PUBLIC COMMENTS
Importance: High

Martha,

Below are my comments as the official representative of the community's 10 Year Plan. As you are aware, the 10 Year Plan is a fully-integrated component of the Cape Fear Continuum of Care but operates independently under the guidance of both the 10 Year Plan Executive Board (operations and policy) and the United Way Board of Directors (financial oversight). Accordingly, additional comments may be forthcoming on behalf of the Cape Fear CoC from Chair Angela Keith:

- The 10 Year Plan is generally supportive of the national and state government decisions to move shift from a service delivery platform based largely on transitional housing to a platform based on Rapid Re-housing. We recognize that evidence is mounting nationally that RRH may be a more cost-effective way of ending homelessness.

- Our local experience with HPRP has demonstrated the effectiveness of Rapid Re-housing, particularly when subsidized housing can be coupled quickly with the establishment of an income stream. Our experience with coordinating HPRP RRH with a centralized SOAR process provides testament to that. The 10 Year Plan is definitely committed to maintain a vibrant HPRP-type process under the new ESG RRH provision and feel adequate dollars must be allocated to that process in order for it to have significant impact. The current allocation advisories would allow the community to rapidly re-house merely two to five clients per years. We find that projection wholly incompatible with the concept of a forced move to Rapid Re-housing and believe funding must be considerably more robust than initially projected in order for the emerging concept to work effectively and to allow an economy of scale to exist within a local RRH program.

- The proposal for ESG Rapid Re-housing stabilization requires that an ESG subsidy be limited to not more than two years. For sub-30% AMI clients, it will be essential that other long-term, housing subsidies be made available to them – as priority candidates - before or immediately after ESG assistance has run its course.

- Several of our local transitional housing providers have demonstrated well-vested interests in maintaining a platform of transitional housing. According to their executives, their boards have become increasingly committed to that process over several years and have made extensive capital investments in properties that are in many ways more suitable for transitional housing than for permanent housing. IN addition, their board and donor cultures are rooted in the transitional housing concept. Their executives have implied at various meetings that boards may be highly reluctant to step away from the transitional housing concept and convert their missions to being largely a landlord for a long-term tenant. This may possibility be exacerbated by the fact that the decision is being driven by a federal agency that is providing a relatively small portion of their overall operating budgets. Accordingly, I believe the federal government should provide maximum incentives to transitional housing organizations to catalyze conversion their to a platform based on Rapid Re-housing.

- DV transitional housing providers may have other issues that may need to be considered before making a decision to transition away from transitional housing, with client safety being paramount to any decision they may make.

- The proposal to adopt a new formula for distribution of ESG funds decreased funding significantly for three or four non-entitlement CoC, including Cape Fear. The rather significant cuts – from 5 or 6% to 2.41% of state allocation created as double edge sword for communities like Cape Fear. While being urged to rapidly convert from a transitional housing model to RRH, we are also being advised that we need to accomplish that task with approximately half the money anticipated. On the other hand, several communities across the state are proposed to receive what amounts to an unexpected windfall, making it far more palatable to transition to the new system. The Cape Fear 10 Year Plan much prefers an allocation formula that will hold communities harmless from the drastic cuts caused by the change in allocation formula – at the very least during the transition period to a fully competitive application process.

- Something needs to be build into the new ESG provisions that will limit the legal liability of CoC officials who are charged with shifting dollars away from transitional housing to RRH. It is not totally out of the question that certain transitional housing providers may threaten legal action against those CoC officials and other involved parties. A provision that provides for legal defense of CoC decisions by the state may be sufficient, but this issue should be vetted with appropriate legal counsel prior to approving the substantial amendment.

- Finally, there should be a specific formula for determining the amount of money that will be made available as administrative dollars to lead agencies and fiscal sponsors so that both know upfront what the cost impact would be for assuming either of these important community roles.

I hope these comments clarify my positions on the ESG issues as strategic director of the 10 Year Plan to End Chronic Homelessness.

Regards,

Dan

Dan Ferrell
Strategic Director

10 Year Plan to End Chronic Homelessness
and Reduce Homelessness in the Cape Fear Region

5919 Oleander Dr., Suite 115
Arboretum Center Building II
Wilmington, NC 28403
910-798-3900 X115
910-798-3917 (fax)

State's Response: The State has adjusted its funds distribution plan to create an opportunity for CoCs to have adequate funding for core rapid re-housing programs.

The State believes that by using the pro rata share formula created by HUD as the basis of its funding distribution plan, which already has an emphasis on allocating funds to urban areas, State ESG funds are being targeted to communities based on an objective measurement of need. In addition, the funding plan described in this final substantial amendment creates opportunities for every community to potentially receive more money than was described in the draft substantial amendment.

While HUD does require that the State share a portion of the administrative percentage with units of local governments with which it contracts, HUD does not require that the State give all of the administrative funding to sub-grantees.

4. Match

Describe:

- *Types of cash and/or non-cash resources used as match*
- *Specific amounts of resources used as match*
- *Proposed uses of match resources*

Each grantee must match all ESG funds received at least dollar for dollar within the period of the grant. Eligible matching funds are those received by the grantee organization from other sources, such as local and/or state government, foundations, church donations, and/or individual donations. The value of time donated by volunteers (valued at the same rate as employees doing similar work in that organization, or valued at rates consistent with those ordinarily paid by other employers for similar work in the same labor market) may also be used to meet this requirement as long as such time is documented and maintained appropriately by the grantee. Work time required of clients by the applicant organization in return for shelter and/or services may not be counted as volunteer time or towards match. Rent paid by program participants may be counted towards match.

For the purposes of this supplemental allocation and future ESG rounds, the State has developed a process through which regions will submit a funding plan that will serve as one application covering their region. All regional applications should be from the CoCs, with the exception of the Balance of State. The Balance of State CoC will submit multiple regional applications through the Balance of State regional committees (approximately 22). All Balance of State regions are eligible to apply;, however, individual regional committee applications will need to be approved by the Balance of State Continuum of Care Steering Committee in order to receive funding. These regions will determine if each funded agency will provide its own match, if the region will use a single matching source for all agencies receiving funding within that region, or if match will be met by a combination of these two approaches.

The value of any donated material or building, or of any lease, using a method reasonably calculated to establish a fair market value may also be used as a source of match for ESG funding as long as appropriate documentation is submitted and accepted by DAAS. Funds used to match ESG funds may not be used to match other funding received by the grantee during the grant period. When cash match is used, the matching funds must be for eligible ESG activities.

5. Proposed Activities and Overall Budget

5a. Proposed Activities

All recipients must include the following details for each proposed activity:

1) corresponding priority needs from recipient's Annual Action Plan

2) concise description of the activities, including the number and types of persons to be served

3) corresponding standard objective and outcome categories

4) start date and completion date

5) ESG and other funding amounts

a. Local governments and territories are required, and State are encouraged, to include the following details for each proposed activity:

6) one or more performance indicators

7) projected accomplishments, in accordance with each indicator, to be made within one year

8) projected accomplishments, in accordance with each performance indicator, to be made over the period for which the grant will be used for that activity

The State of North Carolina plans to use the FY11 Second Allocation to fund:

- Rapid Re-Housing Programs (approximately 80 % of allocation)
  - Housing Relocation and Stabilization Services
  - Tenant-Based Rental Assistance
- Targeted Prevention Programs (approximately 20% of allocation)
  - Housing Relocation and Stabilization Services
  - Tenant-Based Rental Assistance

A. Rapid Re-Housing:

- Housing Relocation and Stabilization Services
- Tenant Based Rental Assistance

1) Corresponding priorities from the 2011 State Annual Action Plan:

Rapid re-housing will serve two High Priority populations: Homeless Families and Individuals and Households between 0-30% of Area Median Income.

2) Description of activities:
Housing relocation and stabilization services will include:

- Stabilization Services will include housing search and placement, case management, mediation, legal services, credit repair, counseling, information and referral, monitoring and evaluation of progress. Staff providing these stabilization Services will be known as Housing Stability Teams.

- Financial Services will include payments to housing owners, utility companies and other third parties for the following costs: rental application fees, security deposits that equal no more than two months' rent, last month's rent, utility deposits, utility payments including up to six months of utility arrears to support homeless individuals and families in moving as quickly as possible into permanent housing and to achieve stability in that housing.

- Tenant-Based Rental Assistance will assist homeless individuals and families to move as quickly as possible into permanent housing and to achieve stability in that housing.

The State anticipates funding 18 organizations to assist an estimated 822 persons in 410 households with rapid re-housing assistance statewide over the course of the award term. This estimate is based on an average rent of $500 per unit, with $1570 in rental arrears when arrears are paid, and the expectation that 60% of rapid re-housing is used for rental assistance while 40% is reserved for housing relocation and stabilization services. The average household will receive between three and six months of rental assistance, excluding rental arrears. These estimates are based on the State's HPRP program data. With the new method for distributing funding by CoC, the State's ESG program will serve more urban areas than the HPRP program did. The State anticipates that average rent, and thus average per person/per household costs, will be slightly higher than the costs associated with HPRP. Per HUD's program rules, households at 30% or less of Annual Median Income will be targeted.

3) Corresponding standard objective and outcome categories:
- Rapid re-housing corresponds to the following Annual Objectives:
  - Activity Type: Rental Assistance
  - Need Type: Homeless
  - High Priority: Homeless Families & Individuals; Households between 0-31% Area Median Income.

- Rapid re-housing meets two HUD uniform performance objectives: Suitable Living Environment and Decent Housing.

- Rapid re-housing meets all three uniform performance outcomes: Availability/Accessibility, Affordability, and Sustainability.

4) Start date and completion date:
The anticipated start date for the rapid re-housing program is August 2012, with an anticipated completion date of June 2014. The award term will be 23 months. Beneficiaries of the program can receive up to 23 months of rental assistance and 23 months of housing relocation and stabilization services out of the FY11 allocation. However, the State will allow programs to serve households for up to 23 months of rental assistance and 23 months of housing relocation and stabilization services out of 36 months, pending a future year's allocation.

5) ESG and other funding amounts:
Because of the importance of rapid re-housing in efforts to end homelessness, approximately 80%, or $1,160,796, of the second round Emergency Solutions Grant allocation will be used directly for rapid re-housing activities.

B. Prevention:
- Housing Relocation and Stabilization Services
- Tenant-Based Rental Assistance

1) Corresponding priorities from the 2011 and 2012 State Annual Action Plan:
Prevention will serve two High Priority populations: Homeless Families and Individuals and Households between 0-30% of Area Median Income.

2) Description of activities:
Housing relocation and stabilization services will include:

- Stabilization Services will include housing search and placement, case management, mediation, legal services, credit repair, counseling, information and referral, monitoring and evaluation of progress. Staff providing these stabilization services will be known as Housing Stability Teams.

- Financial Services will include payments to housing owners, utility companies, and other third parties for the following costs: rental application fees, security deposits that equal no more than two months' rent, last month's rent, utility deposits, utility payments including up to six months of utility arrears to support homeless individuals and families in moving as quickly as possible into permanent housing and to achieve stability in that housing.

- Tenant-Based Rental Assistance will assist homeless individuals and families to move as quickly as possible into permanent housing and to achieve stability in that housing.

The State anticipates funding 18 organizations to assist an estimated 39 people, or 16 households, with housing relocation and stabilization services statewide over the course of the award term. This estimate is based on an average rent of $500 per unit and the expectation that 60% of prevention is used for rental assistance while 40% is reserved for housing relocation and stabilization services. The average household will receive between three and six months of rental assistance, excluding rental arrears. These estimates are based on the State's HPRP program data. Since the State's ESG program will serve more urban areas than the HPRP program, the State anticipates that average rent, and thus average per person/per household costs, will be slightly higher than the costs associated with HPRP. Per HUD's program rules, households at 30% or less of Annual Median Income will be targeted.

3) Corresponding standard objective and outcome categories:

- Prevention corresponds to the following Annual Objectives:
    - Activity Type: Rental Assistance
    - Need Type: Homeless
    - High Priority: Homeless Families & Individuals; Households between 0-31% Area Median Income.

- Prevention meets two HUD uniform performance objectives: Suitable Living Environment and Decent Housing.

- Prevention meets all three uniform performance outcomes: Availability/Accessibility, Affordability, and Sustainability.

4) Start date and completion date:
The anticipated start date for the prevention program is August 2012, with an anticipated completion date of June 2014. The award term will be 23 months. Beneficiaries of the program can receive up to 23 months of rental assistance and 23 months of housing relocation and stabilization services out of the FY11 allocation. However, the State will allow programs to serve households for up to 23 months of rental assistance and 23 months of housing relocation and stabilization services out of 36 months, pending a future year's allocation.

5) ESG and other funding amounts:
Approximately 20%, or $290,199, of the second round Emergency Solutions Grant allocation will be used directly for prevention activities.

5b. Discussion of Funding Priorities
Explain why the recipient chose to fund the proposed activities at the amounts specified (recommended: if available, use locally-relevant data to support the funding priorities, and explain how the funding priorities will support the national priorities established in Opening Doors: Federal Strategic Plan to Prevent and End Homelessness.)

The State of North Carolina chose to prioritize rapid re-housing activities with its second round of Emergency Solutions Grant funding based on the experience of administering the Homeless Prevention and Rapid Re-housing Program (HPRP), demonstrated effectiveness of rapid re-housing programs, and HUD's recommendations.

Rapid re-housing was given priority over the homelessness prevention activity in an effort to use the funds as efficiently as possible to create a more impactful reduction in homelessness. It is much more difficult to reliably measure the outcomes and effectiveness of homelessness prevention programs than of rapid re-housing programs, as well as to accurately target prevention funds to households with the greatest need. Prevention activities will only be allowed if they are designed as targeted prevention programs.

The addition of these rapid re-housing and prevention components to ESG allows HPRP programs to maintain some capacity and allows shelter systems the resources needed to assist households in addressing barriers to getting and keeping housing. By using ESG funds to retool the homeless response system, homeless services will be transformed to crisis response systems that rapidly return people who experience homelessness to stable housing. The State is committed to using ESG funds to assist communities in implementation of the Federal Strategic Plan to End Homelessness Strategy 10: Transform the Crisis Response System.

Identify any obstacles to addressing underserved needs in the community

Based on the statewide response to the HPRP program, the State anticipates that the demand for services will far outweigh the availability of funds.

The State also anticipates a significant need for ongoing training related to the new ESG eligible activities of Rapid Re-Housing and Prevention. In addition, some communities will be engaging in Rapid Re-Housing and Prevention activities for the first time. In those regions this first year of a new program will require additional technical assistance.

5c. Detailed Budget

Include detailed budget of planned activities and funding levels accounting for entire second allocation and any reprogrammed funds from the first allocation (may use Table 3 in this Notice.)

FY 2011 Detailed Budget Table					
First Allocation	$2,579,547.00	**FY 2011** **Emergency Shelter Grants/Emergency Solutions Grants Program Allocations**			
Second Allocation	$1,450,995.00				
Grant Amount	$4,030,542.00				
Total Administration	$302,290.65				
		First Allocation		**Second Allocation**	**Total Fiscal Year 2011**
	Eligible Activities	**Activity Amount**	**Reprogrammed Amount**	**Activity Amount**	**Activity Amount**

Emergency Shelter Grants Program	Homeless Assistance	**$2,393,428.00**	**$0.00**		**$2,393,428.00**
	Rehab/Conversion	$0.00			$0.00
	Operations	$2,300,646.00			$2,300,646.00
	Essential Services	$92,782.00			$92,782.00
	Homelessness Prevention	**$57,142.00**			**$57,142.00**
	Administration	**$128,977.00**			**$128,977.00**
	Emergency Shelter Grants Subtotal* **	**$2,579,547.00**	**$0.00**		**$2,579,547.00**
Emergency Solutions Grants Program	Emergency Shelter**			**$0.00**	**$0.00**
	*Renovation** *			$0.00	$0.00
	*Operation** *			$0.00	$0.00
	*Essential Service** *			$0.00	$0.00
	*URA Assistance** *			$0.00	$0.00
	Street Outreach - Essential Services**			**$0.00**	**$0.00**
	HMIS				**$0.00**
	Rapid Re-housing			**$1,160,796.00**	**$1,160,796.00**
	Housing Relocation and Stabilization Services			$464,318.00	$464,318.00
	Tenant-Based Rental Assistance			$696,477.00	$696,477.00
	Project-Based Rental Assistance				$0.00
	Homelessness Prevention		**$0.00**	**$290,199.00**	**$290,199.00**
	Housing Relocation and Stabilization Services		$0.00	$72,550.00	$72,550
	Tenant-Based Rental Assistance		$0.00	$217,649.00	$217,649
	Project-Based Rental Assistance		$0.00		$0.00
	Administration				**$0.00**
	Emergency Solutions Grants Subtotal		**$0.00**	**$1,450,995.00**	**$1,450,995.00**
			Total Grant		**$4,030,542.00**

		Amount:		

****Allowable only if the amount obligated for homeless assistance activities using funds from the first allocation is less than**
the expenditure limit for emergency shelter and street outreach activities (see Section III.B. of this Notice).
*** FY 11 ESG Allocation by HUD = $2,579,547
FY 11 ESG Allocated by NC ESG = $2,540,853
FY 11 ESG Unallocated by NC ESG = $38,694

6. Written Standards for Provision of ESG Assistance

Include written standards for providing the proposed assistance or describe the requirements for sub-recipients to establish and implement written standards

A. Standard policies and procedures for evaluating individuals' and families' eligibility for assistance under ESG.

- Rapid re-housing program participants must be homeless as defined by HUD.
- The program participant must have an annual income below 30 percent of median family income for the area as determined by HUD.
- The funded local provider or provider team must complete an initial assessment of the household's current situation, strengths, and housing barriers. This assessment will be used not only to determine basic eligibility but also to begin the development of a Housing Stability Plan.
- CoCs will be expected to move toward using a standard assessment form and will be encouraged to use the same assessment process as adjoining CoCs. The State will provide a sample assessment form based on its HPRP experience for CoCs to consider as a template.
- Program participants must agree to meet with a case manager not less than once per month to assist the program participants in ensuring long-term housing stability, unless prohibited by the Violence Against Women Act of 1994 or the Family Violence Prevention and Services Act. At the discretion of the case manager, some meetings may be conducted via phone or teleconference/webcam when appropriate.
- Program participants must agree to participate with the funded local provider in developing a Housing Stability Plan to assist the program participants to retain permanent housing after the ESG assistance ends, taking into account all relevant considerations, such as the program participants' current or expected income and expenses; other public or private assistance for which the program participants will be eligible and are likely to receive; and the relative affordability of available housing in the area.

- CoCs that develop additional eligibility criteria must have those criteria approved by the State prior to implementation. Criteria may be used to narrow the eligibility requirements, but not broaden them. Communities will be cautioned against targeting only those persons who are considered "easiest to serve" and likely able to obtain and maintain stable housing without needing rapid re-housing services. Communities will be encouraged to target households needing the level of services and assistance possible with the rapid re-housing program.

- Providers must have an appeals policy and process for participants who are denied assistance or terminated. Providers must document the reasons that non-qualifying program participants do not qualify for assistance and reasons for termination of qualifying program participants.

B. Policies and procedures for coordination among emergency shelter providers, essential service providers, homelessness prevention and rapid re-housing assistance providers, other homeless assistance providers, and mainstream service and housing providers.

The State partners with CoCs to facilitate coordination between all homeless stakeholders, including homeless service providers, mainstream services, and housing providers. Regional plans submitted to the State for the ESG supplemental allocation will include information about any partnerships between housing stability services providers included in the application and other housing providers, including public housing, Section 8, HUD-VASH, Shelter+Care, SHP Permanent Housing, and Low Income Housing Tax Credit units as well as privately owned housing listed on nchousingsearch.com. Regions will be encouraged to develop MOAs between permanent housing providers and the ESG-funded Housing Stability Teams. These agreements should include, but not be limited to:

- how referrals will be made
- which agency is responsible for which tasks
- how agencies communicate about household eligibility and household progress
- how agencies will be held accountable for implementing the agreements (ex. regular meetings, data reports, etc.)
- requirements for data collection and reporting
- any permanent housing preferences being established for ESG-served households

In order to facilitate greater coordination and targeting of limited homeless assistance resources, applicants will also be asked to document partnerships between emergency shelters or transitional housing programs and the Housing Stability Teams. These MOAs, MOUs, or contracts should include:

- each agency's responsibilities to the other and their joint program participants
- how programs will communicate with each other (point person, confidential communications, etc.)
- how agencies will determine program participant eligibility

- any priorities the crisis system agencies have for who they refer to the Housing Stability Teams
- how these partners will communicate about household progress
- requirements for data collection and reporting

In rural areas, these partnerships may cross jurisdictions, as some communities have no shelters within their borders and rely on shelter providers in another jurisdiction. The State wishes to encourage strong partnerships between regional shelter providers and local housing stabilization organizations or teams.

In addition, regions are encouraged to develop MOAs, MOUs, or contracts between key mainstream services providers and Housing Stability Teams. Agreements with mainstream services should include, but not be limited to:

- how referrals will be made
- which agency is responsible for which tasks
- how agencies will communicate about household eligibility and household progress
- how agencies will be held accountable for implementing the agreements (ex. regular meetings, data reports, etc.)
- requirements for data collection and reporting
- any mainstream service preferences being established for ESG-served households

C. Policies and procedures for determining and prioritizing which eligible families and individuals will receive homelessness prevention assistance and which eligible families and individuals will receive rapid re-housing assistance.

The State encourages regions to use 100% of their program funds for rapid re-housing. However, the State will allow for targeted prevention funding in the following manner:

- Category A: A county that has a shelter(s) that accepts men, women, and families will be limited to using 20% of their program funds for targeted prevention activities.

- Category B: A county that has shelter for some ESG-eligible households, but not all, will be allowed to use up to 30% of its funds for targeted prevention activities.

- Category C: A county that has no shelter for ESG-eligible households will be allowed to use up to 50% of its funds for prevention. Communities with no shelter are still able to provide rapid re-housing and targeted prevention activities.

- Category D: A region that has multiple counties and has counties that fall into more than one of the above categories will develop a formula to document a fair method for determining the percentage of funds that will go towards targeted prevention activities. This formula must be reasonably based on the category funding restrictions named above. The State will have to approve the formula.

Households receiving rapid re-housing services will meet all HUD eligibility requirements as outlined in 24 CFR Parts 91 and 575 [Docket No. FR-5474-I-01]. Similarly, households receiving prevention services will meet all HUD eligibility requirements as outlined in 24 CFR Parts 91 and 575 [Docket No. FR-5474-I-01].

Each CoC will develop its own standards for prioritization of eligible households. These criteria may include threshold requirements as well as other factors that might be linked to a numeric value or rating on a preference scale. Priorities should be based on local needs and, when appropriate, be tied to local 10-Year Plans to End Homelessness, and must be approved by the State. The following list of Potential Priority Criteria is presented to give communities some ideas of factors they may wish to consider when determining local priorities for prevention and/or rapid re-housing. Communities are not required to use this list.

Providers must have an appeals policy and process for participants who are denied assistance or terminated. Providers must document the reasons that non-qualifying program participants do not qualify for assistance and reasons for termination of qualifying program participants.

Potential Priority Criteria

Targeting or priority-setting criteria that may lend themselves to numeric or threshold values:

- Persons coming out of institutions/recent public system history
- Families
- Age and/or number of children
- Singles
- Recent working history, as defined by – within last year? 6 months? 3 months?
- Work history ended due to lay-off
- Persons with disabilities (must remain disability neutral)
- Veterans
- Identification of housing stability as a priority as documented by signing a statement about willingness to assertively participate in housing stability plan
- Sleeping in cars
- Sleeping on streets
- Sleeping in campsites
- In homes/buildings not fit for human habitation
- In shelters
- Being evicted from rental homes that have been foreclosed
- # of years of previous housing stability

Other Potential Criteria
Geographic distribution with multi-county sub-grantees

Regions may use additional targeting criteria but must be able to make the case for why the criteria are likely to serve a purpose that targets the limited resources most effectively to households with greatest need. Particularly for prevention resources, communities are encouraged to evaluate the characteristics of the population that does enter shelter and to target prevention resources to those types of households (such as those doubled up with family and friends, who in many communities have higher subsequent rates of shelter entry).

D. Standards for determining the share of rent and utilities costs that each program participant must pay, if any, while receiving homelessness prevention or rapid re-housing assistance.

The State recognizes that while HUD has established 30% of a household's income as the affordability standard, many low-income households do pay more than that. It is likely that after exiting the ESG program, many re-housed families will be paying more than 30% of their income for housing costs. Therefore, limiting them to payments of 30% of their income for housing during the program may not adequately prepare the households for maintaining their rent payments after they leave the program. For households that do have a rent payment greater than 30% of their income, it is appropriate that the household pay the entire rent for one or more months prior to program exit. It is not appropriate for the households to pay a greater share of rent post program-exit than they ever did while connected to housing stabilization services

However, households that pay more than 30% of their income on housing are at increased risk of homelessness. It is incumbent on the Housing Stabilization Teams to assist households in finding housing that will be affordable for an extended period of time. Sub-grantees will be expected to place as many households as reasonably possible into housing where the tenant rent is no more than 30% of the household's income.

Requiring households to pay more than 40% of their income for rent must be approved at the State level on a case-by-case basis.

Participating households may be required to pay 100% of their utilities but may be allowed to pay less. Housing Stability Teams are encouraged to individualize the share of rent and utilities to each household's unique circumstances. Housing Stability Teams are encouraged to assess all expenses the household faces and how those expenses are connected to long-term housing stability and to set rent and utility payments accordingly. Similarly, Housing Stability Teams are encouraged not to over-subsidize any household so that the available funds can be used to serve as many households as possible.

The total amount of rent paid for any housing unit will be the lesser of FMR or an average of three comparisons as established in a rent reasonableness test, adjusted for bedroom size. Exceptions may be approved by the State.

Households may receive up to 6 months of utility and/or rent arrears. Utility arrears are capped at 6 specific months regardless of the type of utility payments being made. For example, paying a past due water bill for January and a past due electric bill in February counts as two months of utility arrears.

Sub-grantees are asked to assess all expenses and income when determining what percentage of any deposit funds the household will pay. Sub-grantees are allowed to pay 100% of rental and utility deposits, but are encouraged to do so only if it is necessary to secure the housing and the household is unable to contribute.

ESG funds may pay for moving costs, such as truck rental or hiring a moving company. This assistance may include payment of temporary storage fees for up to 3 months, provided that the fees are accrued after the date the program participant begins receiving housing location assistance and/or housing stability case management under the program and before the program participant moves into permanent housing. Payment of temporary storage fees in arrears is not eligible.

Traditionally, the State's ESG contracts are based on the State's fiscal year of July – June. Due to the timeline associated with submission and approval of the Substantial Amendment, the State anticipates signing contracts with ESG grantees in July or August of 2012. These grantees must expend their FY11 funds by June 30, 2014. Therefore, the length of Housing Stability services a household will receive with FY11 funds will be limited to a period no greater than 11 months, not including arrears. (When combining FY11 funds with funding from future years, eligible households will receive a maximum of 23 months of assistance during a 3-year period, including arrears.)

E. Standards for determining how long a particular program participant will be provided with rental assistance and whether or how the amount of that assistance will be adjusted over time.

The maximum amount of FY11 assistance a program participant will be eligible to receive will be 11 months subsidy plus up to 6 month arrears. However, participants who are enrolled with FY11 funds may receive a total of 23 months of assistance, including the 6 months arrears, during a 3-year period with a combination of FY11 and future years' funding, provided they remain eligible and in need of assistance

Housing stability programs will be required to document decisions made about how long a household is provided with rental and utility assistance, and whether or how the amount of that assistance is adjusted over time based on the relationship between those decisions and the household's goal of housing stability. Housing stability programs should base decisions on all of the household's barriers to housing stability, including income, experience in maintaining a stable household, experience in meeting budget goals, and non-housing issues that impact housing stability, such as transportation, debt, and cyclical unemployment.

Furthermore, Housing Stability Teams are encouraged to use a progressive engagement approach, not committing more than one or two months of assistance at any time, even if the Team expects the household may require assistance for up to the full 24 months. Extension of rental and utility support should be based on the household's ongoing actions that express a desire to maintain stable, independent housing.

Sub-grantees and their partners will be required to have very clear policies and materials for clients regarding program expectations that must be met for participants to receive ongoing assistance from the Housing Stability Teams.

As stated above, Housing Stability Teams are encouraged to spend the least amount of funds they consider required to move a household into housing stability. Households that are exited from the program and become homeless in the future should be allowed to re-engage the program for the remainder of their 24 months of eligibility during a three-year period.

Finally, when a household is eligible for and able to receive rental assistance from another source, such as Section 8, HUD-VASH or Shelter+Care, ESG rental assistance should not be used.

F. Standards for determining the type, amount, and duration of housing stabilization and/or relocation services to be provided to a program participant, including the limits, if any, on the homelessness prevention or rapid re-housing assistance that each program participant may receive, such as the maximum amount of assistance and maximum number of months the program participant receives assistance, or the maximum number of times the program participant may receive assistance.

Many of these standards have been addressed above.

Communities should be aware that housing stabilization services may be provided to households not receiving ESG rental assistance. In some cases, the household may require no financial assistance, but would still benefit from services provided by the Housing Stability Team. In other cases, other sources of rental assistance may be identified and accessed by the household, such as Section 8, Shelter+ Care, or HUD-VASH vouchers, yet the household can still be served by the Housing Stability Team for up to 24 months. As with rental assistance, communities are encouraged not to provide housing stabilization services any longer than necessary.

7. Process for Making Sub-Awards

In the past, ESG applicants applied directly to the State. The State is creating a new application process that will require ESG applicants to apply through a regional application. This will allow CoCs to improve coordination and have meaningful oversight on what is funded in their area.

A. Application and Distribution of Funds

The State will not accept applications directly from grantees. However, it will establish an appeals process for agencies that were not included in their region's recommendations to the State. This process may include a local and/or state level review.

The State will use the following process for distributing funds:

- The State will establish an initial amount of funding that each region is eligible to apply for, or an ESG Pro Rata Amount. The State will use the pro rata percentage for each region as determined by HUD for the Continuum of Care NOFA process to divide the State ESG allocation fairly across regions.

- ESG entitlement jurisdictions will be eligible to also receive ESG funding from the State, and their entitlement funding will be taken into account when the ESG

Pro Rata Amounts is determined. The most recent CoC Pro Rata Amounts that are available at the time the State creates the RFP will be used.

- The funding for the FY11 second allotment and FY12 allotment will be treated as one pot of funding when determining regions' ESG Pro Rata. This will enable regions to decide at the local level whether to fund existing ESG grantees at FY11 levels (holding the facilities harmless) or reinvest ESG dollars in rapid re-housing programs.

- Regions will be required to apply and meet certain scoring threshold criteria in order to receive their ESG Pro Rata amounts.

- Communities will be asked to apply to the State through regional applications. For all CoCs except the Balance of State, the CoC will apply through one regional application. The Balance of State CoC will apply through multiple regional applications.

- Each region will be responsible for setting local funding priorities, working with community members and applicants to establish local recommendations, and submitting a single community-wide application for funding.

- Each region will be required to select a lead agency that will submit the recommendation for ESG funds to the State on behalf of the entire region. In non-Balance of State regions, the ESG Lead Agency and the CoC Lead Agency should be the same organization. The ESG Lead Agency will be expected to create and implement a local decision-making process for the distribution of funds that is fair and minimizes conflict of interest. The region's application is expected to reflect the community's 10-Year Plan to End Homelessness (if applicable), CoC Strategic Plan, HEARTH performance measures, the Federal Strategic Plan to Prevent and End Homelessness, and local documented homeless needs.

- The State has the right to request additional information or amendments to applications for this process.

B. Redistribution of Funds

In the event that a region does not apply for its ESG Pro Rata or does not meet the State's funding criteria, the State will redistribute those funds to other regions as its discretion to accomplish the State's ESG program goals.

In redistributing funds, the State will consider how funds will impact the State's ability to meet its ESG program goals:

- Assist people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness.
- Involve Continua of Care in funding decisions.
- Streamline State contracts.

- Consider program outcomes and HEARTH performance measures in funding decisions.
- Incentivize rapid re-housing programs.
- Assist in retooling the crisis response system and move NC towards ending homelessness.
- Continue to support current crisis services infrastructure (shelters and transitional housing) to ensure a smooth transition during retooling.
- Position NC to maximize access to additional federal, state, and local resources, including ensuring CoCs' ability to be competitive for funding under HEARTH.
- Further goals of the Federal Strategic Plan to Prevent and End Homelessness and local 10-Year Plans.
- Promote ESG as a system-level resource instead of funding individual programs in isolation.

The State will primarily focus on ensuring that regions have a threshold amount of funding for rapid re-housing, while ensuring that regions are able to maintain their current infrastructure for crisis response programs (facility costs) if needed. In order to determine which regions will receive additional funding to meet these goals, the State will consider the completeness, thoroughness, and quality of the regional applications. In addition, the State will take the CoCs' governance structures, such as efforts to minimize conflict of interest, into account.

Final decisions on how un-awarded funds will be redistributed through this process will be dependent on the amount available and the State's ability to meet the above ESG program goals.

C. Fiscal Sponsor

The State is also creating a new process for identifying a regional Fiscal Sponsor, which must be approved by the State. The State's goal is to streamline contracts and eventually have one Fiscal Sponsor in each region. The State will approve a Fiscal Sponsor based on established capacity and oversight standards.

The Fiscal Sponsor will contract with the State, sub-contract with any other agencies receiving funds within its region, distribute funds to sub-contractors, submit reimbursement requests to the State, and act as the central point of contact for all reporting requirements. Each region can endorse one Fiscal Sponsor to serve the region and all funded projects within the region. The Fiscal Sponsor must be a unit of local government or 501(c)3 non-profit.

The region may choose the same agency to serve as the ESG Lead Agency and the Fiscal Sponsor or it may choose different agencies. Should the State need to discuss anything with a sub-contractor, the CoC Lead Agency, ESG Lead Agency and Fiscal Sponsor will be advised and asked to participate in the conversation.

The Fiscal Sponsor may be more than a pass-through agency for funds; it may also provide some of the ESG-funded services directly. The Fiscal Sponsor will be expected to work in partnership with the CoC Lead Agency and ESG Lead Agency.

The Fiscal Sponsor will be responsible for reimbursing any sub-contracted agencies for ESG eligible expenses covered in the contractual budget. The Fiscal Sponsor has the option of advancing funds to a sub-contracting agency, but the State will not advance funds to anyone. The Fiscal Sponsor will be responsible for ensuring that client data related to any reimbursement has been entered into HMIS before requesting reimbursement. The State will share a reasonable portion of administrative funds with the Fiscal Sponsor.

The State will not require a Fiscal Sponsor for the second allotment of FY11 or FY12 funds, but will allow communities to elect to use a Fiscal Sponsor for these funds if they wish. In regions where a Fiscal Sponsor is not identified, or the Fiscal Sponsor does not have the capacity to administer all sub-contracts to participating local agencies within the region, the State will continue to administer contracts with the local agencies. In those cases, the ESG Lead Agency and CoC Lead Agency will still be making recommendations about how funds will be used. The State will approve those recommendations and the State will contract with those agencies. This option is why the State believes it will likely have more contracts than regions.

8. Homeless Participation Requirement

For those recipients who cannot meet the participation requirement in § 576.405(a), the substantial amendment must include a plan that meets the requirements under § 576.405(b).

A minimum of three homeless and formerly homeless persons participated in the March 15, 2012 CoC & ESG Planning Session. Three additional homeless or formerly homeless persons, including one speaker, participated in the public hearing on April 30, 2012. In addition, homeless and formerly homeless persons were invited to participate in webinars and regional meetings and to provide verbal or written feedback on the State's Substantial Amendment.

9. Performance Measures

The recipient must describe the performance standards for evaluating ESG activities, which must be developed in consultation with the Continuum(s) of Care.

The State will expect sub-grantees to measure and report on the outcomes of rapid re-housing and prevention assistance using the statewide HMIS system.

Performance measures for both prevention and rapid re-housing will include:

- Percentage of program participants who live in permanent housing at program exit
- Changes in income from benefits or employment

- Documented linkages to mainstream services such as SSI/SSDI, TANF, food stamps, mental health services, medical care services, prescriptions, child care, employment programs, and education programs
- Rates of return (for rapid re-housing) or subsequent entry (for prevention) to the homeless emergency system
- For rapid re-housing, the State will also measure:
    - Impact on average length of stay in the homeless emergency system
    - Rate of movement between shelters prior to placement in permanent housing

10. Certification

C. Written standards required for recipients who are eligible and decide to use part of the second allocation of FY2011 funds for emergency shelter and street outreach activities.

The State will not use any of the second allocation of FY2011 funds for emergency shelter and street outreach activities.

D. Requirements for recipients who plan to use the risk factor under paragraph (1)(iii)(G) of the "at risk of homelessness" definition.

Program participants deemed eligible for prevention services based on having "characteristics associated with instability and an increased risk of homelessness" must demonstrate threat of immediate loss of housing due to eviction as well as significantly limited social and financial supports. The assessment form provided for CoCs' consideration will provide guidance on how these factors might be determined and documented.

In keeping with HUD's preferences, communities will be encouraged to target their funding towards persons already experiencing homelessness rather than those who are at risk.