



TX-503 Continuum of Care Program: Reallocation and Deobligation Policy for FY2026 NOFO

REALLOCATION POLICY

Background

The U.S. Department of Housing and Urban Development (HUD) requires that CoCs carefully evaluate and review all renewal projects and to develop a reallocation process for projects funded with CoC funds. Reallocating funds is an important tool used by CoCs to make strategic improvements to their homelessness system. Through reallocation, the CoC can create new projects that are aligned with HUD and community priorities that improve the overall performance of the local homeless system. CoCs can pursue reallocations through the annual CoC NOFO Competition in which funds for new projects are created by repurposing, eliminating or reducing funds from existing renewal projects.

This Reallocation Policy will be used as a strategic tool to ensure alignment with HUD requirements in the FY2026 CoC NOFO and to:

- a) Improve outcomes for people experiencing homelessness.
- b) Address identified gaps in the local homeless response system.
- c) Increase community-wide performance.
- d) Align investments with HUD funding priorities.
- e) Maximize the CoC's competitiveness in Tier 2 and future funding competitions.

Reallocation Methodology

The Continuum of Care (CoC) may reallocate funding from eligible renewal projects to new or existing projects that better address identified community needs, improve system performance, strengthen the CoC's competitiveness in the HUD CoC Program Competition, and advance federal priorities.

Reallocation of CoC-funded resources may occur voluntarily, at the discretion of the funded agency, or involuntarily, as directed by the CoC Leadership Council. Funded projects are eligible to reallocate all or a portion of their awarded funding. All reallocation decisions shall be conducted through a transparent, data-driven process aligned with the priorities established in the FY2026 CoC NOFO, and reallocated amounts must be sufficient to sustain effective program delivery.



Renewal projects are subject to annual review, rating, and ranking under the HUD CoC NOFO Competition process in accordance with the Review, Scoring, and Ranking Policy adopted by the Leadership Council, which may include formal reallocation recommendations.

Local Reallocation Guiding Principles

When using the reallocation methodology mentioned above, The CoC will work to:

1. Use data-driven decision-making.
2. Address identified gaps within the homeless response system.
3. Promote a balanced project portfolio that reflects current community needs and HUD priorities.
4. Maximize the CoC's competitiveness within the national funding competition.

HUD Funding Limits or Competition Requirements

If HUD's FY26 NOFO, e-snaps, or HUD guidance requires the CoC to address funding limits, tiering risk, component eligibility, reallocation requirements, or other competition constraints, the CoC may consider:

- Reallocation of funds;
- Partial reduction of funds;
- Transition to another eligible project type;
- YHDP replacement, if applicable;
- DV reallocation, if applicable; or
- Use of CoC Bonus or DV Bonus funds, if available and eligible.

All actions will be taken in alignment with HUD guidance, local competition policies, Leadership Council direction, and conflict-of-interest requirements.

Reallocation Process

During the annual CoC NOFO Competition, a participating CoC agency can choose to fully or partially reallocate funding for existing renewal projects. Requirements, eligibility, amounts, and processes differ among the types of funding. The following policies must be followed for Reallocations:

- a) The project must meet the Austin/Travis County CoC Community Funding Priorities as adopted by the Leadership Council
- b) Project applicants may transition an existing renewable component (e.g.) to another component (e.g. TH). If a project is transitioning program components, the applicant must complete a NEW project application for the project, NOT a



renewal application.

- c) The project must be eligible under the FY2026 CoC NOFO.

YHDP Reallocation/Replacement: YHDP funding may only be reallocated to eligible projects dedicated to serving homeless youth age 24 and younger. YHDP funding may not be reallocated to a non-YHDP project, combined with non-YHDP funding, or moved outside the community's youth homelessness response system. They must align with the FY 2026 CoC NOFO

DV Bonus Renewal Projects:

A DV Renewal Project may only transition to TH or SSO. All other DV Bonus related information is in the the FY 2026 CoC NOFO

Involuntary Reallocation

The Leadership Council will consider involuntary reallocation as appropriate and as necessary based on the priorities of the FY2026 CoC NOFO and/or per the Performance Improvement Plan Policy.

Projects on Performance Improvement Plans: CoC projects not meeting performance expectations on Quarterly Performance Scorecards or administrative standards will be required to participate in the Performance Improvement Plan (PIP) process. Performance information reviewed by the Leadership Council will be evaluated and used to determine project eligibility for renewal or if the project funds will be considered for reallocation. Decisions related to involuntary reallocations will be made in accordance with the CoC interim rule which holds each CoC responsible for the performance, fiduciary accountability and system effectiveness of each project included in its annual Collaborative Application process.

Projects will only be Involuntarily Reallocated, if under a Performance Improvement Policy (PIP), with the following timing:

- a) During the first 12 months of the PIP process, projects are eligible to apply for renewal funding in the local HUD CoC Competition
- b) Any agency on an active PIP will not be eligible to apply for New or Bonus Project funding, unless approved by Leadership Council
- c) Projects that have an active PIP for period of 2 consecutive years will be reviewed for involuntary reallocation of funds
- d) When entering into the 2nd year, if the project has not made significant progress by the 1st Quarter presentation to the Leadership Council (16 months into the PIP process), the Leadership Council may recommend the project self-nominate to



voluntarily reallocate renewal funds to create new projects during the CoC Competition or the project may be involuntary reallocated in the next competition cycle.

- e) If the reallocation of funds results in the loss of assistance or housing stability for households currently being served by the program, the project must develop a transition plan with the guidance of the CoC Leadership Council and ECHO.

CoC Projects Not Aligned with FY2026 CoC NOFO:

Renewals ranked outside Tier 1 may be at greater risk of not being funded by HUD and may be considered for:

- reallocation to Transitional Housing or SSO project to support FYI vouchers
- partial reduction;
- transition to another eligible intervention;
- ranking adjustment; or
- additional review

Final determinations will be based on HUD requirements, project performance, local scoring, system need, and Leadership Council approval

Voluntary Reallocation

Renewal project applicants may choose to voluntarily reallocate project funds to create a new project better aligned with HUD funding priorities. CoC-funded agencies may also request reallocation if they intend to close, decrease the size of the project, or otherwise fund the project from an alternate source. Projects voluntarily reallocating may submit a new project application during the local competition based on the total amount reallocated. This will take place during the NOFO application process if the agency history of capacity and performance is acceptable.

Projects interested in voluntarily reallocating should notify ECHO staff at NOFO@austinecho.org in writing of their intent as soon as possible

DEOBLIGATION POLICY

This Policy details guidance set forth by the Leadership Council on CoC funded projects with a history of deobligating funds and implications for HUD Continuum of Care project application review process. This policy is to be included within the CoC Policy and Procedures.



Background

Federal funding to address homelessness in our community is a critical resource that the Austin/Travis Community depends upon to address the on-going needs of people and families experiencing homelessness.

Deobligation Methodology

All CoC funded project awards are expected to be 100% expended by the end of their grant operating year. If a CoC project deobligates either more than 10% of funds or more than \$50,000 of funds during the grant cycle, the project renewal budget amount may be reduced to the amount of demonstrated expenditure.

In addition, any history of deobligated HUD funding will be factored into the local CoC application scoring process.

Projects deobligating either more than 10% of funds or more than \$50,000 of funds will be required to participate in the Performance Improvement Plan process and to submit a PIP Agreement to identify ways to meet spending expectations to the CoC Collaborative Applicant and are expected to work directly with the HUD Field Office.

Project-Type or Application Adjustments

ECHO, as the Collaborative Applicant, may work with applicant agencies to identify necessary project-type, budget, scope, or application adjustments to support FY26 NOFO compliance, local strategy, funding availability, and HUD eligibility.

Adjustments may include alignment with Transitional Housing, Joint TH/RRH, Supportive Services Only, Coordinated Entry, Street Outreach, or other HUD-eligible project models, as allowed by the FY26 NOFO and local competition requirements. Any project-type adjustment must remain subject to local review, HUD eligibility, available funding, scoring or threshold requirements, and Leadership Council approval.