

Understanding SHP

January 2001



This guide highlights key aspects of the Supportive Housing Program (SHP). If you have further questions about the program or the application process, please contact your local HUD Field Office. Grants under the Supportive Housing Program are awarded through a national competition held annually.

The Supportive Housing Program is authorized by [Title IV, Subtitle C](#), of the McKinney-Vento Homeless Assistance Act of 1987, as amended. It is designed to promote, as part of a local Continuum of Care strategy, the development of supportive housing and supportive services to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible.

Assistance in the Supportive Housing Program is provided to help homeless persons meet three overall goals:

- Achieve residential stability,
- Increase their skill levels and/or incomes, and
- Obtain greater self-determination (i.e., more influence over decisions that affect their lives).

Specific performance measures for each of these three goals must be established based on the needs and characteristics of the homeless population to be served. Grant recipients are required to monitor their clients' progress in meeting their performance measures on an ongoing basis. In addition to recordkeeping and evaluation that grantees may conduct for their own purposes, HUD requires recordkeeping and annual progress reports. The annual progress report includes questions that ask grantees to report on their progress in meeting performance measures. Grantees are expected to make changes in their program or adjust performance measures in response to ongoing evaluation of their progress.

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Components

The SHP program provides funding under the following approaches to supportive housing and/or supportive services. Applicants may propose projects under the following five components:

Transitional Housing

Transitional housing is one type of supportive housing used to facilitate the movement of homeless individuals and families to permanent housing. Basically, it is housing in which homeless persons live for up to 24 months and receive supportive services that enable them to live more independently. The supportive services may be provided by the organization managing the housing or coordinated by them and provided by other public or private agencies. Transitional housing can be provided in one structure or several structures, at one site or in multiple structures at scattered sites.

A homeless family or individual may remain in transitional housing for a period longer than 24 months if permanent housing for the individual or family has not been located or if the individual or family requires additional time to prepare for independent living. (However, HUD may discontinue assistance for a transitional housing project if more than half of the individuals or families remain in that project longer than 24 months.)

SHP support in TH projects

SHP funds can be used in the following ways to provide new transitional housing or expand already existing transitional housing:

- Acquisition
- Rehabilitation
- New construction
- Leasing
- Supportive services
- Operations
- Administration

Limitation of stay in TH

Homeless individuals and families may reside in transitional housing for up to 24 months. However, if permanent housing for the individual or family has not been located or if the individual or family requires additional time to prepare for independent living, they remain for a period longer than 24 months. Assistance may be discontinued for a transitional housing project if more than half of the homeless persons remain in the project longer than 24 months.

Access to supportive services in TH

Transitional housing participants receive supportive services that enable them to live more independently. Project sponsors must describe the accessibility of these services in their project application. Though the services need not be in the same structure, they should be in close proximity to facilitate accessing the services. When services are needed that are not in close proximity, the sponsor should help the persons access the services, such as by providing transportation.

Movement from transitional to permanent housing

Housing placement assistance must be part of any transitional housing program. Transitional housing residents may need assistance with all the tasks and stress involved in locating, obtaining, moving into, and maintaining the housing. Discrimination in the housing market may make the situation more difficult. Without third-party intervention, some graduates may resort to renting substandard or inappropriate housing or relapse into homelessness.

A comprehensive approach to locating housing includes preparing and training clients in searching for, securing, and maintaining their own housing, developing relationships with local producers and managers of housing to which graduates could move, and helping clients establish a savings plan so they can afford to move in.

In many instances, assistance also entails direct contact and negotiation of rental terms in tandem with graduates and money to help pay move-in costs. However, keep in mind that the most successful graduates of transitional housing are those who have taken the lead in deciding where they will live permanently.

Permanent Housing

Permanent housing for homeless persons with disabilities is another type of supportive housing. Basically, it is long-term community-based housing and supportive services for homeless persons with disabilities. The intent of this type of supportive housing is to enable this special needs population to live as independently as possible in a permanent setting. The supportive services may be provided by the organization managing the housing or coordinated by the applicant and provided by other public or private service agencies.

In instances where an applicant proposes a permanent housing structure for more than 16 persons, the applicant must describe in the application how local market conditions necessitate the development of a larger project, provide a comparison of the proposed permanent housing structure with other buildings in the vicinity, and explain how the increased number of homeless persons with disabilities will be successfully integrated into the neighborhood.

SHP support in PHPWD projects

SHP funds can be used in the following ways to provide new permanent housing or expand already existing permanent housing:

- Acquisition
- Rehabilitation
- New construction
- Leasing
- Supportive services
- Operations
- Administration

16-person limit

The housing structure for the Permanent Housing component allows for 16 or fewer persons in a single structure. If there are more than 16 people, then an explanation is required as to how local market conditions necessitate this size, and how neighborhood integration can be achieved for the residents.

Types of PHPWD structures

Structures may include most housing types. For example, they can be apartments, single-family houses, duplexes, group homes, or single-room occupancy rooms.

Persons with disabilities in SHP

In the SHP statute, the PHPWD component is for assisting a homeless person with a disability who has at least one of the following characteristics: Considered disabled under Section 223 of the Social Security Act; Determined to have a physical, mental, or emotional impairment of long-continued duration, impeding the ability to live independently, and of a nature that could be improved by more suitable housing; Having a developmental disability; Having AIDs or conditions arising from its etiological effects.

Safe Havens

A safe haven is a form of supportive housing in which a structure or a clearly identifiable portion of a structure: (1) serves hard-to-reach homeless persons with severe mental illnesses who are on the streets and have been unable or unwilling to participate in supportive services; (2) provides 24-hour residence for an unspecified duration; (3) provides private or semi-private accommodations; (4) may provide for the common use of kitchen facilities, dining rooms, and bathrooms; and (5) in which overnight occupancy is limited to no more than 25 persons. A safe haven may also provide supportive services on a drop-in basis to eligible persons who are not residents.

For many persons with mental illnesses who have been living on the streets, the transition to permanent housing is best made in stages, starting with a small, highly supportive environment where an individual can feel at ease, out of danger, and subject to no immediate service demands. Safe havens do not require participation in services and referrals as a condition of occupancy. Rather, it is hoped that after a period of stabilization in a safe haven, residents will be more willing to participate in services and referrals, and will eventually be ready to move to more traditional forms of housing. Safe havens can serve as an entry point to the service system and provide access to basic services such as food, clothing, bathing facilities, telephones, storage space and a mailing address.

A Safe Haven is a form of supportive housing that serves hard-to-reach homeless persons with severe mental illness who are on the street and have been unable or unwilling to participate in housing or supportive services. Safe Havens serve as a refuge for people who are homeless and have a serious mental illness.

Of the Nation's homeless population, approximately 40 percent have indicators of mental health problems. Escaping homelessness for the person with a severe mental illness is much more difficult because the symptoms may disrupt the very judgment, motivation, and social skills that are essential for community living.

Safe Havens serve as a portal of entry providing basic needs (such as food, showers, clothing), as well as a safe and decent residential alternative for homeless people with severe mental illness who need time to adjust to life off the streets and to develop a willingness and trust to accept services in order to transition to permanent housing.

Due to the special needs of the participants of the Safe Haven projects there are some specific characteristics that contribute to the success of a Safe Haven facility, such as intensive and skilled outreach to this hard-to-reach population; engagement at a pace comfortable for the

participant; intake/assessment, understanding that it is this consumer's inability to get through the intake process at traditional shelters that make them candidates for Safe Havens; supportive service delivery at the participant's pace.

Safe Haven Design

Because a Safe Haven is a form of supportive housing it must comply with all of the SHP requirements. In addition specific requirements of a Safe Haven are:

- Serves hard-to-reach homeless person with severe mental illnesses who are on the streets and have been unable or unwilling to participate in supportive services
- Allows 24-hour residence for an unspecified duration
- Has private or semi-private accommodations
- Limits overnight occupancy to no more than 25 persons
- May include a drop-in center as part of outreach activities
- Is a low demand facility where participants have access to needed services, but are not required to utilize them

SHP Support in Safe Havens

Any one or a combination of the following activities can be used to provide a new Safe Haven or expand an already existing Safe Haven:

- Acquisition
- Rehabilitation
- New construction
- Leasing
- Supportive services
- Operations
- Administration

Safe Havens and the Continuum of Care

The success of any Safe Haven project rests upon the strength of the linkages it has with all other components of the Continuum of Care. Through these linkages with the community (particularly the State and local Mental Health Agency) the Safe Haven project can better deal with some of the issues that can arise when developing a Safe Haven. Issues such as NIMBYism; appropriate housing design, and the unique staffing issues for this type of project are just some of the issues that can be overcome by a strong partnership with the local community.

The basic services and supports in a Safe Haven drop-in center can be an integral link to the outreach component of the Continuum of Care. Additionally, the Safe Haven can prove to be a vital resource for local hospitals, in-patient facilities and emergency shelters to refer persons with severe mental illness who continue to live on the street.

Safe Havens Resource Information

For more information and guidance on developing a Safe Haven, request a copy of the guide *In from the Cold: Creating Safe Havens for Homeless People on the Street*.

Supportive Services Only

In the supportive services only (SSO) component, projects address the service needs of homeless persons. Projects are classified as this component only if the project sponsor is not also providing housing to the same persons receiving the services. Eligible activities for SSO

projects are acquisition, rehabilitation, leasing, and, of course, supportive services. (Applicants cannot request funds for new construction or operations.) SSO projects may have a structure or structures at a central site or multiple structures at scattered sites where services are delivered. Projects may also be operated independent of structures, e.g., street outreach or mobile vans for health care.

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SSO project characteristics

SSO projects may be in a structure or structures at a central site, or they may be in multiple structures at scattered sites where services are delivered. Projects may also be operated independent of a structure, e.g., street outreach or mobile vans for health care. Regardless of the design, SSO project applications must contain a full description of how homeless persons will be assisted to obtain and remain in permanent housing and how homeless persons will be assisted in increasing their incomes and in living independently. All SHP components are focused on helping participants achieve permanent housing.

SHP support in SSO projects

SHP funds can be used in the following ways to provide new supportive services only projects or expand already existing supportive services only projects:

- Acquisition
- Rehabilitation
- Leasing
- Supportive Services
- Administrative Costs

Note that SHP cannot be used for new construction or operating costs. The prohibition is statutory.

Supportive service costs vs. operating costs in SSO projects

Confusion sometimes occurs over what is an operating cost in an SSO project. Two basic criteria to help clarify the issue are: (1) The direct costs of providing the services to participants are eligible; (2) The cost identified in the examples below is eligible only to the extent that it is part of the project.

Grant funds may be used to pay for the actual costs of new or increased supportive services to homeless persons, including salaries paid to providers of supportive services and any other costs directly associated with providing such services.

Examples of eligible supportive services costs are:

- The cost of computers and desks used in a job readiness training program are usually eligible supportive services costs.
- The salaries of staff directly contacting homeless persons in an outreach program, are eligible supportive services costs.

- The purchase of vehicles for transporting homeless persons to other services and job training sites is an eligible SSO cost. The cost of fuel, insurance, and repairs are also eligible.

Examples of ineligible supportive services costs are:

- Training for supportive services staff is not eligible because the SHP funds are meant for the direct benefit of homeless persons.
- Fundraising activities and conference fees are not eligible activities.

Contact the field office in your jurisdiction for guidance on your particular project.

Innovative Supportive Housing

The innovative supportive housing component of SHP enables the applicant to design a program that is outside the scope of the other components. Projects under this component must be innovative as determined by HUD or they will be rejected. In particular, a proposed innovative project must demonstrate that it represents a distinctively different approach when viewed within its geographic area, is a sensible model for others, and can be replicated elsewhere. An applicant should not propose a project under this component unless a compelling case is made that these criteria can be met.

Note that SHP funding may not be used for emergency shelters or permanent housing for non-disabled persons. In addition, SHP funding may not be used to support an existing project except to: fund the expanded portion of the project that will increase services or the number of persons served; bring facilities up to a level that meets State and local government health and safety standards; replace nonrenewable funding from private, Federal, or other sources not under the control of the State or local government; or, renew grants eligible for continued funding under the renewal provisions of the SHP program.

Note that almost every eligible project fits in one of the component categories above. Very few projects have received SHP funding under the innovative category. An applicant should not propose a project under this component unless a compelling case is made that these criteria can be met. The activities in an innovative project must also meet eligible program guidelines as established in the regulations at 24 CFR Part 583.

SHP support in ISH projects

SHP funds can be used in the following ways to provide new innovative supportive housing or expand already existing innovative supportive housing:

- Acquisition
- Rehabilitation
- New construction
- Leasing
- Supportive services
- Operating costs
- Administration

Eligible Applicants

Eligible applicants are:

- States
- Local governments
- Other governmental entities, e.g., public housing authorities private nonprofit organizations with 501(c)(3) tax exempt status under the IRS Code; certified United Way agencies
- Organizations that have a voluntary board, a functioning accounting system, practice nondiscrimination in the provision of assistance, and the net earnings of which do not benefit anyone associated with the organization community mental health associations that are public nonprofit organizations

To be eligible to receive assistance from projects funded under the Supportive Housing Program, a person must be homeless. Projects that propose serving other populations will not be considered for funding. Homeless persons are those who:

- Are sleeping in places not meant for human habitation, such as cars, parks, sidewalks, and abandoned buildings
- Are sleeping in emergency shelters
- Are living in transitional or supportive housing for homeless persons but who originally came from streets or emergency shelters
- Ordinarily sleep in transitional or supportive housing for homeless persons but are spending a short time (30 consecutive days or less) in a hospital or other institution
- Are being evicted within the week from private dwelling units and no subsequent residences have been identified and they lack the resources and support networks needed to obtain access to housing
- Are being discharged within the week from institutions in which they have been residents for more than 30 consecutive days and no subsequent residences have been identified and they lack the resources and support networks needed to obtain access to housing

Not all persons being evicted from private dwelling units or all persons being discharged from institutions are homeless. Applicants who propose to serve these populations must make clear in their applications that they (a) understand that persons are eligible only if they have no subsequent residence identified and lack the resources and support networks needed to access housing and (b) propose to serve only eligible persons. Applicants that are selected for funding will be required to have documentation of how it was determined that such persons did not have the resources or support network needed to obtain housing.

In summary, persons are homeless if, without the SHP assistance, they would have to spend the night in a shelter or in a place not meant for human habitation. The intent of these policies are to help persons who lack shelter. The Department administers other programs to serve persons who are poorly housed or need supportive housing but are not homeless. These programs include: Section 8 Housing Assistance Payments, public housing, HOME, Community Development Block Grants, and Supportive Housing for Persons With Disabilities. Contact your [HUD Field Office](#) for more information about those programs.

Eligible Activities

SHP grants are awarded to fund projects proposing one or more of the following seven activities, subject to the requirements described here.

1. Acquisition

Many applicants propose to purchase property which will be used to provide supportive housing and/or supportive services to homeless persons. SHP acquisition grants may be used to:

- Pay for part of the purchase price of such a facility, as long as that property has not previously been used as supportive housing or for supportive services;
- Pay a portion of the costs of purchasing a structure which will be used to provide supportive housing or supportive services;
- Repay outstanding debt on a loan made to purchase a structure which has not been previously used for supportive housing or supportive services.

In each project, the SHP grant for acquisition and rehabilitation is limited to between \$200,000 and \$400,000 per structure, depending on whether the project is in a high cost area. A high cost area is a locality that HUD has determined to have high acquisition and rehabilitation costs. Percentages and limits applicable to high cost areas are as follows:

Percentage	Limit
100-119	\$200,000
120-139	\$250,000
140-159	\$300,000
160-174	\$350,000
175 and up	\$400,000

The above limits apply to combined acquisition and rehabilitation activities. Contact the HUD Field Offices for the limit applicable to a given locality.

Projects receiving SHP grants for acquisition and rehabilitation must be operated for not less than 20 years for the purpose specified in the application.

In addition, grants may also be used to pay off a current mortgage on a property (but not for periodic mortgage payments) as long as that property has not previously been used as supportive housing or for supportive services.

2. Rehabilitation

SHP grants may also be used to pay part of the cost of rehabilitating a building so that it may be used as supportive housing or to provide supportive services. An addition to an existing building, the addition of cost effective energy measures, and the costs of repairs necessary to bring an existing structure up to housing code regulations are rehabilitation costs which may also be partially funded with SHP grants.

3. New Construction

Proposals to build structures in which homeless persons will reside are also funded under the Supportive Housing Program. SHP grants may be used to pay part of the cost of constructing a supportive housing facility and include the cost of the land upon which the structure will be built. However, SHP funds may not be used to build structures which will be used to provide supportive services only.

New construction costs are eligible under all program components except the supportive services only component. However, if grant funds are to be used for new construction, the applicant must demonstrate that the costs associated with new construction are substantially less than the costs associated with rehabilitation or that there is a lack of available units that could be rehabilitated at a cost less than new construction. (Demolition costs are not eligible under SHP.)

Grants for new construction are limited to \$400,000 per structure (regardless of where the project is located). If the applicant is also acquiring land in tandem with the new construction, the \$400,000 limit applies to both activities together. Therefore, an applicant would not apply for a new construction grant and a separate grant to acquire the land, but rather new construction to cover both the land and the structure.

Projects receiving SHP grants for new construction must be operated for not less than 20 years for the purpose specified in the application.

4. Leasing

Leasing a building so that it may be used for supportive housing or services, or to pay rent for individual units to be used for supportive housing, is an eligible SHP activity. A grantee may lease portions of a structure, the full structure, or multiple structures. Space or housing units chosen for comparison must be similar with respect to location, size, type, quality, amenities, facilities, and management services. The rent paid may only reflect actual costs and must be reasonable in comparison to rents being charged in the area for similar space or similar housing units. In addition, rents for individual housing units may not exceed rents currently being charged by the same owner for comparable unassisted units, and the portion of rents paid with grant funds may not exceed HUD-determined fair market rents (FMR). A project sponsor cannot lease a building or unit to itself that it already owns. FMRs are published annually in the Federal Register, usually in September, and should be used in estimating leasing costs.

Housing standards

- For any assistance provided, the housing and services must be in compliance with all applicable State and local housing codes, licensing requirements, and any other requirements of the jurisdiction in which the project is located regarding the condition of the structure and the operation of the housing or services.
- Supportive housing must meet the habitability standards described in the program regulations at [\(583.300\(b\)\)](#). Any variations from those standards proposed by the recipient must be approved by HUD.

Reasonable Rents

- In leasing all or part of structures, the rent paid must be reasonable in relation to rents being charged in the area for comparable space. The rent may not exceed rents being charged by the same owner for comparable space.

- In leasing individual units (houses or apartments), the rent paid may reflect only actual costs, and must be reasonable in relation to rents being charged for comparable units. In determining comparability, the following should be considered: location, size, type, quality, amenities, facilities, and management services. If the owner has both assisted and unassisted housing units, rents for the assisted units may not exceed rents being charged for that owner's comparable unassisted units. The grantee should keep file documentation showing reasonableness.
- The grant funds may also be used to pay the landlord for any damages to the leased units by homeless participants. Up to one month's rent may be used for this purpose.
- The portion of rents paid with grant funds may not exceed HUD-determined fair market rents (FMR). FMRs are published annually in the Federal Register, and should be used in estimating leasing costs. [FMR data sets](#) are available on the HUD User web site. The published FMRs are gross rent estimates, and include shelter rent and the cost of utilities (except telephone).

Leasing vs. Operating Costs

- In most instances, leasing a structure or individual unit(s) would not require additional operating costs because the cost of leasing would include the landlord's expenses for maintenance, repair and utilities. If such costs are anticipated, the amount and proposed use should be documented in the original project proposal.

Limitations on Leasing Assistance

- If the grant funds are used for leasing assistance, the grantee may not request assistance for acquisition or new construction for the same property.
- If a leased unit requires rehabilitation, and grant funds will be used to rehabilitate the leased property, the project sponsor must have site control. It is also necessary to demonstrate that the rehabilitated property will serve the purpose specified in the application for at least 20 years.
- If a family or individual has been assisted through leasing, and remains in that housing without further assistance, the applicant may not request assistance for acquisition, rehabilitation or new construction for that property.
- Leasing assistance is subject to the requirements of the Lead-Based Paint Poisoning Prevention Act. For residential structures constructed before 1978, there are requirements and procedures for addressing the hazards of lead-based paint. The requirements encompass both the residential unit, and non-dwelling portions of a structure that might be used by children under seven years of age, such as a day care center.
- Grantees may not give funds directly to participants to pay the leasing costs, but must pay individual landlords directly.
- The project sponsor may not lease property that it already owns to itself, a parent, or a subsidiary organization. Any lease arrangement must be at arm's length. The funds designated for leasing may only be used for the actual costs of leasing a structure/unit. They may not be used to pay a project sponsor's mortgage or other costs of building operations.

Documentation of Leasing Costs

- Applicants conditionally selected will include information about leasing in their technical submission that corresponds to the activities submitted in their original application. The technical submission should cover:

- Leasing costs for supportive housing and/or supportive service facilities documented with fair market rent information from the applicable Federal Register, or;
- Comparable cost data, as appropriate, to show that the SHP request is within these limits.

Note: The Annual Performance Report (APR) is the vehicle for reporting leasing activities and documenting shared costs.

Renewal grants

- Leasing activities are eligible for renewal grants as described in Section O.

5. Supportive Services

Supportive services are important in a project since they assist homeless participants in the transition from the streets or shelters to permanent or permanent supportive housing. Almost any services aimed at moving homeless participants to independence are eligible for SHP support. SHP funds may be used to pay part of the actual costs of new or increased supportive services to homeless persons, including salaries paid to providers and other costs directly associated with providing such services. Some of these services include child care, employment assistance, health care, and case management.

When transitional housing participants move to permanent housing, grantees may use supportive services funding to pay the first and last month's rent on a housing unit, including security deposits. Other types of supportive services may continue to be provided to homeless persons for up to 6 months after moving to permanent housing.

Eligible Supportive Services

Almost any services aimed at moving homeless participants to independence are eligible for SHP support. The following are examples of services which may be paid for with supportive service grant funds:

Outreach, child care, job training/placement, case management, health care, transportation employment assistance, education, vocational opportunities, life skills, counseling, housing search assistance, substance abuse treatment, parenting skills, rent deposits, psychiatric care, mental health care, home furnishings, budgeting.

Examples of Eligible Supportive Service Costs

- Salary of case manager, counselor, therapist, etc.
- Salary of case management supervisor when he/she is working with clients or working with a case manager on issues regarding clients
- Desks, computers used by clients and their trainer in employment training programs
- Food, clothing, transportation for use by clients
- Medical/dental care for clients
- First and last month's rent, security deposits, credit checks for participants moving from transitional housing to permanent housing
- Clothing, tools, and similar items needed by participants for jobs or job training
- beepers for outreach workers
- Mileage allowance for service workers to visit participants at home, if participants reside in scattered site housing

- Vehicle purchase and operation (gas, insurance, maintenance) when used for transporting clients.

Examples of Ineligible Supportive Service Costs for TH, PH and Safe Haven Projects

- Salary of case management supervisor when he/she is not working directly on participant issues
- Desks/computers used by staff for intake, or other daily activities
- Office telephones, fax, postage, utilities, insurance
- Office or meeting space
- Staff recruitment/training.

Supportive Service Costs for SSO Projects (*new as of August 24, 2000*)

- Certain costs for SSO projects are eligible, but only to the extent that these costs are part of the project, and the project is classified as SSO. The scope of direct costs of providing supportive services has expanded and those costs include: staffing, utilities, equipment and supplies, furnishings, repairs and maintenance, transportation, insurance and security. Please check with your Field Office if you need clarification.
- Participants in TH, PHPWD, SSO, Safe Havens may receive supportive services throughout the time they are part of the project. In TH, participants may also receive services after they leave the project.
- A transitional housing participant who is graduating from the project may receive follow-up services paid for with SHP funds for an additional six months. This is done so that the participant is assisted in adjusting to independent living [[24 CFR 583.120\(b\)](#)].

Match Requirement for Supportive Services

- Beginning with the 1999 SHP awards, SHP grantees must share in the costs of supportive services. The requirement is an 80-20 split of supportive services costs between SHP and the grantee.
- Match is a cash payment for the provision of supportive services. The grantee's cash source can be from itself, the Federal government, State and local governments or private contributions.
- Grantees will be required to list the sources and amounts of cash contributed toward the cost of supportive services in the Annual Performance Report. During monitoring, field offices will review the supporting documentation on site or remotely.

6. Operating Costs

Some of the costs associated with the day-to-day operation of supportive housing may be paid using SHP funds. Only operating costs for a new project or the expanded portion of an existing project are eligible for SHP funding. Also, SHP funds may not be used for the cost of operating a supportive services only facility.

Operating costs differ from supportive services costs in that they support the function and the operation of the housing project. Relocation assistance—the costs associated with displacing persons in order to use a structure—are included under operational costs, even though such payments may be a one-time occurrence.

Examples of eligible operating costs

- Salaries of staff not delivering services, such as project manager, security guard
- Utilities: gas, heat, electric, etc.
- Equipment: desks, computers, telephones used by staff

- Furnishings: beds, chairs, dressers, etc. provided for participants
- Equipment: refrigerators, ranges, etc.
- Food
- Relocation
- Maintenance and repair.

Examples of ineligible operating costs

- Mortgage payments (see Acquisition)
- Recruitment or on-going training of staff
- Rent (may be eligible as real property leasing)
- depreciation
- Costs associated with the organization rather than the supportive housing project (fund raising efforts, pamphlets about organizations, etc.)
- Operating costs of a supportive services only facility.

Multiple activities

- Sometimes operational staff carry out supportive services activities. To the extent a staff person does both, their expenses must be split between the two categories. The grantee will need documentation, such as time sheets, to show how the expenses were split.

Operational costs vs. mortgage payments

- Because SHP allows grantees to repay outstanding debt on a loan to purchase the structure under the acquisition activity, grantees may not consider mortgage payments as an operational cost. This means that when the operating budget is calculated, mortgage payments may not be included.

Match requirement for operations

- SHP grantees are responsible for matching the operational cost of supportive housing. Beginning with grants made in the FY 2000 competition, SHP funds can be used to pay up to 75% of the operating cost in each year of the grant term. (For grants made prior to FY 2000, SHP funds can be used to pay up to 75% of the operating cost for the first two years of the grant, and up to 50% for the third year of the grant.) The match requirement is the difference between the total operating costs and the amount of the SHP operating funds. Match requirements are to be made by cash and paid by the end of each operating year. The grantee's cash source can be from itself, the Federal government, State and local governments or private contributions. Grantees will be required to submit documentation at the end of each operating year that they contributed their share of cash.

7. Administrative Costs

Up to five percent of any grant awarded under SHP may be used for the purpose of paying costs of administering the assistance. Applicants and project sponsors must work together to determine the plan for distributing administrative funds between applicant and project sponsor (if different).

Administrative costs include the costs associated with accounting for the use of grant funds, preparing reports for submission to HUD, obtaining program audits, similar costs related to administering the grant after the award, and staff salaries associated with these administrative costs. They do not include the costs of carrying out acquisition, rehabilitation, new construction, leasing, supportive services or operating costs.

Examples of eligible administrative costs

- Preparation of Annual Progress Report
- Audit of Supportive Housing Program
- Staff time spent reviewing/verifying invoices for grant funds, drawing money from Treasury, and maintaining records of the use of those funds
- Field office training on managing the grant.

Examples of ineligible administrative costs

- Preparation of application/technical submission
- conferences, fund raising activities, and training in professional fields (such as social work or financial management)
- Salary of organization's executive director (except to the extent he/she is involved in carrying out eligible administrative functions as shown under eligible administrative costs list.

General Provisions

Applicants are not restricted to requesting funds for only one of the seven activities listed above. An individual project may contain a request for funding any combination of eligible activities, except that projects funded under the supportive services only component may not request funding for operating costs or new construction. Grantees receiving SHP assistance for acquisition, rehabilitation, or new construction must agree to operate the supportive housing or provide supportive services for a term of at least 20 years from the date of initial occupancy or date of initial service provision.

Uses of Assistance

The types of activities described above can support a wide variety of projects. SHP will provide funding support for new projects as well as for the renewal or expansion of existing projects.

Here are some examples of the basic uses of assistance:

- To establish new supportive housing facilities or new facilities to provide supportive services.

A nonprofit called Good Works wishes to develop a transitional housing program for homeless families with children. Good Works already has acquired a building, but is in need of assistance to help pay renovation and operating costs. They apply to HUD under the transitional housing component as a new project.

- To expand existing facilities in order to increase the number of homeless persons served.

The City of Evergreen currently operates a transitional facility for 20 homeless individuals who are chemically dependent. Need for this facility is great and the City would like to double its capacity. The City decides to apply for SHP rehabilitation funds to physically expand their facility, and operating and supportive service funds to provide this program for 20 additional participants for a total of 40. The SHP funds will assist the expansion only.

- To provide additional supportive services for residents of supportive housing.

A sponsor of permanent housing for persons with disabilities, funded in 1991, wishes to expand the services it offers its severely mentally ill participants. Since opening its doors, New Frontiers, the project sponsor, has found that over 70% of the participants at its two facilities are dually diagnosed. New Frontiers wishes to emphasize sobriety in both of its facilities and has decided to apply to HUD for supportive service funding that would fund a full time social worker specializing in addictions to work at those sites.

When choosing a supportive housing facility, applicants should be aware of the SHP rules regarding relocation assistance. Any applicant that is proposing to use a site which has current occupants should contact the local HUD Field Office to discuss notification procedures, the possible need for relocation assistance and the amount of relocation assistance. An applicant may include relocation costs in its application for SHP funding but the amount is determined in consultation with the local HUD Field Office.

Any person who moves from his or her housing as a result of acquisition, rehabilitation or demolition for a project that will be assisted through SHP, regardless of whether SHP funded the acquisition, rehabilitation, or demolition, is entitled to relocation assistance. In addition, leasing of a structure in some cases is considered a form of acquisition. Relocation assistance must be provided at the levels described in 49 CFR part 24 and can be a substantial expense. Relocation assistance requirements may not apply if proper notifications have been sent within specific time-frames.

A handbook and information booklets on relocation assistance are available through your [local HUD Field Office](#).

Acquisition and Rehabilitation

Many applicants propose to purchase property which will be used to provide supportive housing and/or supportive services to homeless persons. SHP grants may be used to pay for part of the purchase price of such a facility, as long as that property has not previously been used as supportive housing or for supportive services.

In addition, grants may also be used to pay off a current mortgage on a property (but not for periodic mortgage payments) as long as that property has not previously been used as supportive housing or for supportive services.

New Construction

Grants for new construction are limited to \$400,000 per structure (regardless of where the project is located). If the applicant is also acquiring land in tandem with the new construction, the \$400,000 limit applies to both activities together. Therefore, an applicant would not apply for a new construction grant and a separate grant to acquire the land, but rather new construction to cover both the land and the structure.

New construction costs are eligible under all program components except the supportive services only component. However, if grant funds are to be used for new construction, the applicant must demonstrate that the costs associated with new construction are substantially less than the costs associated with rehabilitation or that there is a lack of available units that could be rehabilitated at a cost less than new construction.

Match for Acquisition, Rehabilitation and New Construction

SHP funds provided for acquisition, rehabilitation, and new construction must be matched by the recipient with an equal amount of funds from other sources. The cash source may be the recipient, the Federal Government, State and local governments, or private resources. The matching funds must be committed during the second phase of the application process described below.

Match for Operating Costs

SHP grants may be used to pay for up to 75 percent of the annual costs of operating supportive housing. These are cash costs; in-kind goods and services must not be included in the operating budget. Using other cash resources, grantees must make up the difference between the total costs and the amount of the SHP grant. During the technical submission phase of the SHP application process, grantees are required to submit documentation of firm commitments for the cash match to cover the first year of the grant term.

In addition, if the grant is for more than one year, grantees must sign a certification that the cash match will be provided in the subsequent years also. The form and content of this required documentation and certification are described in the technical submission application. Grant agreements will not be executed until this documentation is provided. The cash match must also be documented in the grantee's Annual Performance Report (APR) at the end of each operating

year. The cash source may be Federal, state, local, or private. Operating costs are eligible under all program components except the supportive services only component.

Match for Supportive Services

Applicants may request no more than 80 percent of the total costs for the provision of supportive services in a project. Using other cash resources, grantees must make up the difference between the total costs and the amount of the SHP grant. During the technical submission phase of the SHP application process, grantees are required to submit documentation of firm commitments for the cash match to cover the first year of the grant term. In addition, if the grant is for more than one year, grantees must sign a certification that the cash match will be provided in the subsequent years also. The form and content of this required documentation and certification are described in the technical submission application. Grant agreements will not be executed until this documentation is provided.

The cash match must also be documented in the grantee's APR at the end of each operating year. The cash source may be Federal, state, local, or private.

Application Process

HUD awards funds through a national competition held annually. The competition requires communities to shape a comprehensive and coordinated housing and service delivery system called a Continuum of Care. A Continuum of Care approach helps communities plan for and provide a balance of emergency, transitional, and permanent housing, and service resources to address the needs of homeless persons so they can make the critical transition from the streets to jobs and independent living to the extent possible. A Continuum of Care system should also include a homeless prevention strategy, even though homeless prevention is not an eligible activity under SHP.

The fundamental elements of a Continuum of Care system are:

- Outreach and assessment to identify an individual's or family's needs and make connections to facilities and services;
- Immediate (emergency) shelter and safe, decent alternatives to the streets;
- Transitional housing with appropriate supportive services (e.g., job training/placement, substance abuse treatment, short-term mental health services, independent living skills); and
- Permanent housing or permanent supportive housing arrangements.

Initial Submission

The SHP application process begins with the publication of a NOFA for Continuum of Care Homeless Assistance in the Federal Register. The NOFA gives details regarding where to obtain and submit applications, the application deadline date, the rating criteria, and other essential information. Applications must be submitted by the deadline established in the NOFA.

Specific guidance on developing and implementing local Continuum of Care systems is contained in the NOFA and the application package. It is essential that potential applicants understand all aspects of the Continuum of Care concept before beginning the application process, since individual SHP project proposals must be part of a locally developed Continuum of Care strategy. No matter how well an individual SHP proposal is presented, it will not be competitive unless it is part of a strong Continuum of Care strategy submitted by the community in which the SHP project is located.

During this first phase of the application process, applicants must submit, in conjunction with their Continuum of Care application, specific SHP program information such as a description of the proposed project including its purpose, type of homeless population to be served, type of housing where participants will reside, and the supportive services the participants will receive. Applicants must also describe the experience of all organizations involved in carrying out the proposed project. This first phase further requires applicants to identify the program component for which they are requesting funding and the submission of a project budget. A Certification of Consistency with the Consolidated Plan of the jurisdiction in which each proposed project is located is also required.

Technical Submission

The second phase of the SHP process involves the completion of a more detailed technical submission document. Only projects selected from the first phase, which are referred to as conditionally selected, will complete this technical submission document.

Applicants that are conditionally selected during the first phase as a result of the rating and ranking process will be required to submit additional information that will be used to ensure that technical requirements are met prior to execution of the grant agreement. Most of these requirements relate to a more extensive description of the various budgets for supportive services and operations, as well as acquisition, rehabilitation, and new construction documentation. In the technical submission document, conditionally selected applicants must show detailed budgets for each activity and demonstrate that there are sufficient documented cash resources to carry out acquisition, rehabilitation, new construction, operations, and/or supportive services activities.

In reviewing a conditionally selected grantee's technical submission, the local HUD Field Office may find activities that are ineligible or simply misclassified which would reduce the initial grant award or shift funding to another activity. HUD cannot, however, increase funding to a project because of the competitive nature of these awards. Applicants that are unable to meet the technical requirements of this phase of the process may in some cases have their conditionally awarded grant terminated.

Specifically, conditionally selected grantees must submit all of the information listed below corresponding to the activities submitted in their original application to HUD:

- Project summary - selectee and project sponsor information, project budget, attainable milestones that will become part of the grant agreement, and the performance measures that will be used for each of the three SHP goals listed at the beginning of this guide.
- Acquisition, rehabilitation, and new construction - cost, site control, and zoning information. A separate exhibit must be submitted for each structure within a project.
- Project feasibility - documentation showing that the selectee has a written commitment for the total amount of cash needed to do acquisition, rehabilitation, and new construction.
- Real property leasing - leasing costs for supportive housing and/or supportive service facilities documented with fair market rent (FMR) information from the applicable Federal Register or comparable cost data, as appropriate, to show that the SHP request is within these limits.
- Supportive services - types, quantities, and costs of each supportive service proposed; site control for supportive service sites to be operated by the project sponsor; documentation showing written commitments of cash resources to meet the match requirement for this activity in the first year of the grant term and, if applicable, certification that the cash match will also be met in subsequent years of the grant term.
- Operating costs - types and costs for each operating expense proposed for the supportive housing to be operated by the project sponsor (e.g., maintenance and repairs, staff salaries and benefits, utilities, equipment, supplies, insurance, furnishings, food, indirect costs); documentation showing written commitments of cash resources to meet the match requirement for this activity in the first year of the grant term and, if applicable, certification that the cash match will also be met in subsequent years of the grant term.

- Administration - types and costs for each SHP-funded administrative expense and a description of how the project sponsor(s) was consulted in developing the plan for distributing the administrative funds.
- Leveraging - documentation for leveraged resources claimed in the selectee's original application to HUD (Continuum of Care Narrative, Project Leveraging Chart).

Environmental Review

An environmental review must also be conducted at this point for projects requesting acquisition, rehabilitation, new construction, or, in some cases, leasing funding. Prior to choosing a site, applicants might want to check with their [local HUD Field Office](#) representative for a list of the most common problems which have been identified in previous environmental reviews. This could help to avoid choosing a site that might be rejected later during the technical submission process because of a problem found during the environmental review of that site. HUD is responsible for completing the environmental review for conditionally selected nonprofit applicants. Conditionally selected State and local governments are responsible for completing their own environmental review.

Site Control

Site control is another important part of the technical submission phase. For all grantees who are awarded SHP funding for acquisition, rehabilitation, new construction, or, in some cases, leasing, site control must be demonstrated before the expiration of one year after initial notification of grant award.

By law, failure to obtain site control within one year will result in the recapture or deobligation of all SHP funds previously awarded. HUD has no authority to waive the law and therefore cannot grant extensions beyond this one-year limit. However, site control is not required for leased housing that eventually will be controlled by the homeless families or individuals, where grant funds will be used solely to provide services at a site not operated by the project sponsor, or where grant funds will be used solely to lease a structure.

By law, a project sponsor must have site control within one year after HUD Headquarters notification to the selectee of its conditionally selected award if SHP funds will be used for:

- Acquisition, rehabilitation, and/or new construction
- Operating costs for supportive housing
- Supportive services at a site that the sponsor also operates
- Leasing of units that participants will not eventually control where SHP supportive services will be provided at the site

If site control is not obtained within one year of the award letter, HUD will withdraw its offer to enter into a grant agreement and the project will not receive funding. HUD cannot extend this deadline.

Documenting site control for acquisition, rehabilitation and new construction grants

A project sponsor must have control of any structure that will receive SHP funding for acquisition and/or rehabilitation for supportive housing or a supportive services facility, or new

construction for supportive housing. To document site control, either of the following must be submitted: a deed or other proof of ownership; an executed lease agreement; an executed contract of sale; or an executed option to purchase or lease.

Documenting site control for projects requesting real property leasing funds

A project sponsor is not required to document site control if: (1) during the grant term, the lease will be given to the project participants (i.e., the homeless persons will eventually control the units); and/or (2) the SHP request is just for leasing (i.e., the request is not also for other SHP-related activities for which site control is needed). However, if neither of the above conditions apply, site control must be documented in the form of an executed lease agreement or an executed option to lease.

For project sponsors requesting renewal funding for an existing SHP project, the only documentation of site control required is a certification by the sponsor that it currently has an executed lease agreement for the property(ies) in use to house and/or provide services to homeless persons. A site control certification form for renewals is located in the leasing section of the SHP technical submission document.

Documenting site control for projects requesting supportive services funds

A project sponsor must have site control when SHP funds are received for supportive services at a site operated by the project sponsor. Acceptable forms of site control are an executed lease agreement, a deed or other proof of ownership, an executed option to purchase or lease, or an executed contract of sale.

For project sponsors requesting renewal funding for an existing SHP project, the only documentation of site control required is a certification by the sponsor that it currently has a deed or other proof of ownership, or an executed lease agreement for the property(ies) in use to provide services to homeless persons. A site control certification form for renewals is located in the leasing section of the SHP technical submission document.

Documenting site control for projects requesting operating funds

A project sponsor must have site control when SHP funds are requested for operating costs for supportive housing. Acceptable forms of site control are an executed lease agreement, a deed or other proof of ownership, an executed option to purchase or lease, or an executed contract of sale.

For project sponsors requesting renewal funding for an existing SHP project, the only documentation of site control required is a certification by the sponsor that it currently has a deed or other proof of ownership, or an executed lease agreement for the property(ies) in use to provide housing for homeless persons. A site control certification form for renewals is located in the leasing section of the SHP technical submission document.

Implementing the Proposed Project Overview

After projects have been awarded SHP funding, HUD will execute a grant agreement with each grantee. The grantee's application becomes a part of their contract with HUD to provide assistance to homeless persons in the manner described in their application. Therefore, grantees must adhere to the project as described in their application, including providing all of the supportive services specified in their application and serving the same number of homeless persons indicated in their application, within the term of the grant.

HUD may deobligate all or parts of a grant for acquisition, rehabilitation, or new construction if the total costs for these activities is less than the total costs anticipated in the application or if the proposed activities for which funding was approved are not begun within three months or residents do not begin to occupy the facility within nine months after grant execution. In addition, HUD may deobligate amounts for annual leasing costs, operating costs or supportive services in any year if the actual costs for these activities is less than the total costs anticipated in the application or if the proposed supportive housing operations are not begun within three months after the units are available for occupancy. HUD wants to ensure that SHP funds are expeditiously used to assist homeless persons.

Resident Participation

Grantees are also required, to the extent possible, to involve homeless persons in policy and decisions for the project. Other areas in which grantees must involve homeless persons, to the extent possible, are in constructing, rehabilitating, maintaining, and operating the project and providing supportive services through employment or volunteer efforts.

Resident Rent

Charging residents rent is optional under SHP. However, if a grantee chooses to charge rent, it may not exceed the highest of

1. 30 percent of the family's monthly adjusted income;
2. 10 percent of the family's monthly gross income; or,
3. The portion of the family's welfare assistance, if any, that is designated for the payment of rent.

In projects where rent will be collected, residents' income must be reviewed to determine the correct rent payment. In addition, it must be reexamined at least annually. If there is a change in family composition (e.g., birth of a child) or a decrease in the resident's income during the year, an interim reexamination may be requested by the resident and the resident rent may be adjusted accordingly. Residents who receive an increase in income need not have their rent increased until the next scheduled annual reexamination.

HUD provides a guide and worksheet which should be used to calculate rent payments.

Resident rent may be used in the operation of the project or may be reserved, in whole or in part, to assist homeless participants in moving from transitional to permanent housing.

Habitability Standards

Each recipient of HUD funding must ensure compliance with all state and local housing codes, licensing requirements and any other standards regarding the condition of a structure and the operation of the housing and/or services. Specifically, each project sponsor must adhere to proper standards regarding accessibility, sanitation, security, illumination, electricity, and fire safety.

Ongoing Needs Assessment

Grantees are required to make ongoing assessments of the supportive services required by the participants and to update these services when necessary.

Financial Management

Grantees are required to follow procurement standards as set forth in the applicable OMB Circulars and must have a functioning accounting system operated in accordance with generally accepted accounting principles or designate a qualified entity to maintain a functioning accounting system in accordance with generally accepted accounting principles. Such an accounting system must provide for audits in accordance with 24 CFR part 44 or part 45, as applicable. HUD may perform or require additional audits as it finds necessary or appropriate.

Reporting Requirements

An APR is required of all SHP grantees to review their programs and annually report outcomes to HUD. Performance will be reviewed in terms of how each project has helped participants achieve increased residential stability, increased skill level and/or income; and greater self-determination. The APR should also be used by grantees to evaluate their own performance and set future goals for their programs. This report must be submitted to the [local HUD Field Office](#) within 90 days after the end of each operating year in which HUD funding is provided.

For Further Information

Questions about the program or about the application should be directed to your [local HUD Field Office](#).

To assist in the development and implementation of local Continuum of Care systems, HUD is also making available highly skilled professionals to assist communities in addressing their homeless needs and priorities requiring specialized technical assistance. This nationwide pool of experts can be accessed by contacting your local HUD Field Office or calling Community Connections at 1-800-998-9999.