

**Regional Continuum
of Care Council
RCCC**



Regulations Division
Office of General Counsel
451 7th Street SW., Room 10276
Department of Housing and Urban Development, Washington, DC 20410-0500.

Re: (24 CFR Part 578, Docket No. FR-5476-N-04 entitled, "Continuum of Care Program: Solicitation of Comment on Continuum of Care Formula)

To Whom It May Concern:

On behalf of the San Diego Regional Continuum of Care Council (RCCC), we appreciate the U.S. Department of Housing and Urban Development (HUD) for providing the opportunity to comment on the four proposals to update the Federal Continuum of Care Funding Formula.

Our recommendation is to offer a fifth proposal, Formula E, which would more equitably distribute Continuum of Care (CoC) funds across regions experiencing the highest levels of homelessness.

Formula E is based on the San Diego region's experience with homelessness and the high cost of housing. The San Diego CoC is ranked 22nd in Federal homelessness funding despite having the fourth highest homeless population in the nation, according to the 2015 Annual Homeless Assessment Report to Congress in November 2015 and the Fiscal Year 2016 Continuum of Care Program Competition report.

Overview & Recommendation Summary

We have reviewed the proposed changes to the HUD Continuum of Care Program (24 CFR Part 578, Docket No. FR-5476-N-04 entitled, "Continuum of Care Program: Solicitation of Comment on Continuum of Care Formula), issued on July 25, 2016. We compared the impact of each of the four proposed formulas, and our Formula E, to the 10 Continuums of Care in major cities with the largest homeless populations, as well as the indicators we believe are most correlative to rates of homelessness.

Our recommendation is HUD consider the following as part of the Homeless Emergency Assistance and Rapid Transition to Housing Final Rule:

1. The fifth proposed Formula E with Annual Renewal Demands as the baseline for funding;
2. If HUD adopts one of the four proposed funding formulas, San Diego recommends HUD Formula D, with Annual Renewal Demands as the baseline for funding. Of the four proposals, Formula D best indicates community needs in relation to rates of homelessness.
3. The adoption of a rule to revisit the formula every five years, ensuring the formula does not again become outdated; and
4. New funds to be added to the total HUD CoC appropriation within the next three years.

Recommendation Details

Using the data provided by HUD including the “CoC [Preliminary Pro Rata Need (PPRN)] Alternate Formula Testing Tool,” the RCCC reviewed the four HUD proposals and the weight of each factor. Based on that assessment, the RCCC developed Formula E, incorporating the experience of major CoCs with homelessness.

In reviewing the economic climate of each of the 10 CoCs with the largest homeless populations, the common thread was issues of housing affordability. The Pearson’s Correlation analysis conducted by HUD, also cites three housing indicators most connected to homelessness:

- **Renter-occupied units:** 65 percent (0.444 correlation to homelessness);
- **Affordability gap:** 30 percent (.310 correlation to homelessness); and
- **Rent-burdened Extremely Low Income (ELI) households:** 5 percent (0.336 correlation to homelessness).

Chief Economists from across the country agree the developing housing shortage is one of the most important housing market trends. For example, representatives from Moody’s Analytics, Clear Capital, realtor.com, Fannie Mae, and Windermere indicate while the development of new housing has increased in recent years, it is still well below what is needed across most regions. Another result of this trend will be the continued decline in vacancy rates, which has the potential to quickly increase rental rates and home prices.ⁱ These factors, combined with minimal affordable housing options in many communities, can also create more rent-burdened ELI households, all of which could lead to greater rates of homelessness.

Impact on Key Stakeholders

The recommendation to endorse Formula E, or HUD’s Formula D, balances the potential for funding shifts across CoCs with large populations of homeless individuals.

According to the 2015 Annual Homeless Assessment Report to Congress in November 2015, the following ten major CoCs had the highest rates of homelessness:

1. **New York City:** 75,323
2. **Los Angeles:** 41,174
3. **Seattle/King County:** 10,122
4. **San Diego:** 8,742
5. **Las Vegas:** 7,509
6. **Washington, D.C.:** 7,298
7. **Chicago:** 6,786
8. **San Francisco:** 6,775
9. **San Jose/Santa Clara County:** 6,556
10. **Boston:** 6,492

When applying each of the four proposed HUD Formulas, some formulas negatively and disproportionately impact certain regions, while other formulas more equitably distribute the funds, including the fifth proposed Formula E.

Table 1 shows a comparison of the funding effects each of the formulas would have in these 10 regions:

TABLE 1: Comparison of Funding Formulas

Rank	CoC	Formula A	Formula B	Formula C	Formula D	Formula E
1	New York City	\$83,879,612	\$85,109,288	\$91,745,221	\$102,438,240	\$108,149,327
2	Los Angeles	\$64,341,738	\$64,992,979	\$66,429,715	\$73,917,932	\$72,855,665
3	Seattle	\$10,490,040	\$10,209,110	\$9,512,667	\$9,975,635	\$12,177,495
4	San Diego	\$16,840,372	\$16,673,326	\$15,738,952	\$16,628,640	\$19,523,206
5	Las Vegas	\$9,383,728	\$9,399,945	\$8,410,925	\$8,269,681	\$11,268,090
6	District of Columbia	\$5,665,254	\$5,690,414	\$5,878,198	\$6,560,872	\$6,976,232
7	Chicago	\$23,056,898	\$23,601,753	\$23,311,343	\$26,576,332	\$26,220,812
8	San Francisco	\$7,869,412	\$7,773,243	\$7,896,617	\$8,931,375	\$10,620,390
9	San Jose	\$8,299,656	\$7,993,106	\$7,618,205	\$7,682,747	\$9,400,649
10	Boston	\$6,468,764	\$6,490,711	\$7,107,155	\$7,947,837	\$8,342,862
NEW TOTALS		\$236,295,474	\$237,933,845	\$243,648,998	\$268,929,291	\$285,534,728
2015 Preliminary Pro Rata Need Variance		\$46,716,418	\$45,078,017	\$39,362,894	\$14,082,601	\$(2,522,836)

These funding changes underscore why San Diego's recommendations include proposing a commitment by HUD to work with the U.S. Congress to appropriate additional funds to the CoC program within three years.

In addition, there are numerous difficulties to modifying the funding formula without also expanding the total amount of funding. Because most CoCs already receive more than their formula funding level, it will be more equitable to all communities to use the Annual Renewal Demand as the base level funding and grow the appropriation to enhance efforts across the nation to address homelessness.

To ensure a revised formula does not again become outdated, San Diego also recommends the introduction of a formal rule to perform a standard review of the formula at least every five years.

If you have any questions regarding our comments, please contact Melissa Peterman, Vice President of Homeless Housing Innovations for the San Diego Housing Commission (SDHC) and staff to the Regional Continuum of Care Council, at 619-578-7529 or melissap@sdhc.org.

Thank you for the opportunity to submit our recommendations on this important matter.

Sincerely,



Richard C. Gentry
 Board Chair, San Diego Regional Continuum of Care Council
 President & CEO, San Diego Housing Commission