

MATCH & LEVERAGE PRIMER FOR CONTINUUM OF CARE SHP (Updated 10-08-2010)

"MATCH"

DEFINITION OF MATCH:				
Match is the amount of cash that must be raised for the project from other sources. Each SHP activity has a required match ratio.				
Activity	Leasing	Acquisition, Rehabilitation, New Construction	Supportive Services	Operating Costs
Match Ratio	None	1:1	80:20	75:25

General

The following applies to all SHP match requirements: "Match" refers to the amount of money that must be raised to earn the federal contribution to the project. There is no restriction on the source of funds, however some Federal sources of funding outside of HUD do not allow their funds to be used as match; grantees need to confirm with each source of funding whether the use of such funding for match purposes is permitted. Match payments cannot be mixed between categories (For example, an excess cash contribution for service activities cannot be used to meet the match for operations costs).

Match must be a "cash" contribution.

"Cash" does not include in-kind service, volunteer time and most donations. A donation of cash qualifies if used to pay for a specific service. "Cash" includes staff salaries (and benefits) of individuals providing services to clients of the HUD-assisted project if they are billed and paid for by the project sponsor. Documentation of billing is necessary. Match also includes actual cash spent or paid out by the agency for eligible project activities. For example, if operation of housing is part of the Continuum of Care activity, all of the costs associated with maintenance, utilities, insurance and taxes are eligible if paid by the sponsor.

Services

A maximum of 20% of the total SHP budget may be used for supportive services. Within this limit, you may request SHP funds for up to 80% of the supportive services budget. A local match representing at least 20% of the supportive services budget is required. Matching funds must be used for eligible service costs identified on the supportive services budget, and included in the application and/or the technical submission.

Construction, Acquisition, Rehabilitation

Any grant funds that are requested for new construction, acquisition or rehabilitation must be matched by an amount at least equal to the grant request. In other words, the applicant is responsible for raising 50% of the costs for the project. Note: The grant amount for these activities is generally limited to \$200,000 per project but may reach \$400,000 in HUD-designated "high cost areas". Contact your local HUD office for information on costs in your area. Due to these grant limits, the actual amount of local funds needed to make the project feasible may exceed 50% of costs. The cash source for the match may be the recipient, the Federal Government, State and local governments, or private resources, including commercial mortgages.

Leasing

There are no match requirements for leasing of buildings or housing units.

Operations

Beginning in 2000, a local match of 25% of the total operations budget must be provided and HUD will pay for up to 75% of eligible operations costs. Sources of match include resident rent and fees, but only if they are used to cover costs associated with eligible SHP activities.

Documentation requirements

During the technical submission phase of the SHP application process (which occurs after a project is awarded by HUD, not during the CoC application process), grantees are required to submit documentation of firm commitments for the cash match to cover acquisition, new construction and rehabilitation activities, as well as match for the first year of the grant term for operations and supportive services. For operations and supportive services, if the grant is more than one year, grantees must sign a certification that the cash match will also be provided in subsequent years. If a renewal project is not required to submit a technical submission, the match should be documented at the end of the program year.

Documentation format

Documentation must be in the form of a letter submitted on letterhead stationary, signed by an authorized representative and dated. Each letter must contain:

- The name of the organization providing the cash resources;
- The amount of available funds;
- The type of activity for which the funds will be used;
- The name of the project sponsor organization and/or the name of the project; and
- The date and time period the funds will be available.

"LEVERAGE"

DEFINITION OF LEVERAGE:

Leverage = Total Project Resources Less the Continuum of Care Grant Request

General

Every Continuum of Care project should be able to show that it is leveraging significant non-Continuum of Care resources. "Leverage" means the total amount of non-Continuum of Care resources committed from all sources to the project at the time of application to HUD. This includes both your "match" and the value of donations and in-kind services. The "project" refers to the activities that are in direct support of the project described in your Continuum of Care Exhibit 2 application.

Leverage requirement

There is no requirement for leverage. However, a Continuum receives points in the national rating system for leverage to support new projects for which the HUD Continuum of Care funds are requested. To obtain leverage points, an applicant must have a firm written commitment (by letter or contract) prior to submission of the application to HUD (this year, November 15). There are specific requirements for qualifying "firm commitments" found in the HUD Exhibit 2 application documents. Only funds committed for the grant period covered by the application may be counted. HUD may request evidence of actual fund commitments if the project is awarded funds.

Our local goal is to demonstrate a leverage ratio of at least 2 to 3 times the Continuum of Care Permanent Housing Bonus funds. The higher our leverage for Permanent Housing Bonus funds, the higher our full CoC application will be ranked.

Sources

Leverage includes funds and donations from all non-Continuum of Care sources spent on the project including:

- ◆ Minimum cash match needed to earn the grant
- ◆ Excess cash match
- ◆ All other donations such as in-kind contributions, cash, materials, etc
- ◆ Beneficiary rent payments paid to the sponsor

What counts as leverage?

Examples of leverage include the value of buildings and equipment used in the program. Also included is the value of donated or billed services such as mental health counseling or transportation and volunteer labor. Donated buildings are valued at their fair market value. Volunteer time is rated at \$10/hour. Professional services donated are valued at the customary professional rate. Therefore, a psychiatrist providing help to a mentally ill homeless person may be valued at over \$100/hour. However if the psychiatrist volunteered to drive homeless persons to skills training classes, the donation would be valued at \$10/hour. If rent is charged and is collected for re-use to pay for eligible project activities, the expenditures can be used as both match and leverage. Leverage can only be counted if it is used for supportive services or housing to assist the homeless persons served by the specific program for which SHP funds are requested.

The value of commitments of land, buildings and equipment are one-time only and cannot be claimed by more than one project in another year.

Examples of leverage

- ◆ Cash received from a foundation or donor for eligible project expenses
- ◆ Value of donated buildings
- ◆ Value of buildings being used in the program (regardless who originally paid for it)
- ◆ Value of below market rent on a lease or rental agreement
- ◆ Value of free services provided
- ◆ Value of services or equipment provided at below cost (difference between value & cost)
- ◆ Volunteer time at \$10 per hour
- ◆ Professional time donated (valued at professional rates)
- ◆ Value of donated food, clothing, child care services, transportation, etc.
- ◆ Expenditures for utilities, maintenance and taxes paid on a building used to deliver services or housing if that service or housing is part of the HUD assisted project.

Documentation requirement

Written commitments for leverage are not submitted at the time of the application. However, they must be submitted for verification by HUD prior to grant agreement execution. Only the value of contributions to a project for which the applicant has a written commitment at the time of application will be counted toward points for leveraging of other resources.

Documentation format

Written agreements could include signed letters, memoranda of agreement, and other documented evidence of a commitment. They must be documented on letterhead stationary, signed and dated by an authorized representative, and must, at a minimum, contain the following elements:

- The name of the organization providing the contribution;
- The type of contribution (e.g. cash, child care, case management, etc.)
- The value of the contribution;
- The name of the project and its sponsor organization to which the contribution will be given; and
- The date the contribution will be available.

For an example, see the attached sample commitment letter.

Model Commitment or Donation Letters for Leverage

NEW Projects

Guide:

Bold Print = Suggested Text

Regular Print = (Explanation)

Typed on Donor Agency Letterhead

To: _____ (Sponsor of Project) _____ (Date)

Subject: Commitment to the _____ (Name of Homeless Project)

(A. For Services, Leasing or Operations Costs):

If the _____ (name of homeless project) **is awarded HUD Continuum of Care funds,**
_____ (name of agency, church, organization, government, person or business) **commits to**
provide contribution worth \$ _____ over the next _____ year(s) (1,2 or 3) to
_____ (name of sponsor organization). **Our contribution for**
_____ (operations or type of service: e.g. cash, childcare, case management, clothing,
food, etc.) **will be available beginning at the time of project award (as early as January 1, 2011).**

1. (If professional services based on an hourly rate are involved add the following to the first two sentences): **The commitment is calculated based upon _____ hours of _____ (type of service) at our normal rate of \$ _____/hour.**

2. (If non-professional/volunteer services are involved add the following to the first two sentences): **The commitment is based upon _____ hours of service at the rate of \$10.00/hour.**

3. (If the donation is a physical item, add the following to the first two sentences): **The amount of the contribution is based upon a donation of _____ (units) _____ (the contribution).**

(B. For Leased Housing)

(If housing is to be leased at below market rents, state the following:) **We agree to lease _____ (number of units) to _____ (name of the agency renting) at the following rents for _____ (# of years) beginning at the time of project award (as early as January 1, 2011).** (You will then need to use some standard - Fair Market Rents, documented comparable rents, a letter from a realtor establishing comparable rents - to calculate the amount of the benefit representing the difference between standard rents and the agreed upon rents. You could obtain the commitment for more than a year even if escalators were included.)

(B. For Capital Costs of Acquisition/Rehabilitation/Construction):

If the _____ (homeless project) **is awarded HUD Continuum of Care funds,**
_____ (name of agency, church, organization, government, business) **commits to provide**
\$ _____ in the form of _____ (cash, land, building, etc.) to the _____ (name of sponsor organization) to pay for _____ (Acquisition/Rehabilitation/Construction) costs.
The funds will be available at the time of project award (as early as January 1, 2011).

Sincerely,

_____ (name of authorized representative)

_____ (title)