

MATCH & LEVERAGE PRIMER FOR CONTINUUM OF CARE SHP RENEWING PROJECTS (Updated 09/15/11)

"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	Operations	Admin Costs	HMIS
Match Ratio	None	100:100	80:20	75:25	None	80:20

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.

Required Match By Type of Activity

Leasing

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

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 at least 50% of the costs for the project. Note: For new projects, the 2011 NOFA allows applicants to request up to \$400,000 in funding for acquisition, construction, or rehabilitation. 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 (if the funding source is eligible to be included in another Federal grant application as a match), State and local governments, or private resources, including commercial mortgages.

Supportive 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. This match requirement applies to renewal projects even if there was no match requirement when originally funded. Matching funds must be used for eligible service costs identified in the supportive services budget, and included in the application and/or the technical submission.

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. This applies to both renewals and new projects. Sources of match for transitional housing and permanent housing projects include resident rent and fees, but only if they are used to cover costs associated with eligible SHP activities.

Administrative Costs

There are no match requirements for administrative costs.

HMIS

For all SHP funding for HMIS, applicants must provide a 20% cash match. All matching funds must be used for eligible costs identified in the project application budget, the grant agreement, and in the technical submission.

Calculating and Documenting Match Requirements

Match calculator

HUD has developed cash match calculators to assist project applicants in determining the required cash match for requested SHP funds. The calculators are available online under the e-snaps Resources section [here](#).

Documentation requirements

Documentation of cash match is required for Year 1 of all projects while only signed certification of cash match is required for any additional years. 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 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. In addition, for new and renewal SHP projects, the cash match must be verified in the Annual Performance Report (APR). If a renewal project is not required to submit a technical submission, the match should be documented at the end of the program year. Project sponsors are required to maintain

detailed fiscal records during each year of the project to ensure adequate documentation of all expenditures related to the grant, including those paid through the use of cash match sources.

Documentation format

The form and content requirements of the cash match documentation and certification are explained in the applicable exhibits of the SHP Technical Submission document. In general, 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 project sponsor organization and/or the name of the project;
- The name of the organization providing the cash resources;
- The type of funds;
- The amount of available funds;
- The type of activity for which the funds will be used;
- 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 in order to demonstrate to HUD that the project is feasible. "Leverage" means the total amount of non-Continuum of Care resources (both cash and non-cash) 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 specific requirement for leverage. However, most Continuum of Care projects will require significant leverage to operate successfully, and HUD considers a project's secured leverage when assessing project feasibility for renewal threshold review.

To demonstrate sufficient leveraging, an applicant must have a firm written commitment (by letter or contract) prior to submission of the application to HUD. Only funds committed for the grant period covered by the application may be counted. While renewal projects do not need to submit detailed information on leverage in the Exhibit 2, new project applicants are required to provide a detailed list of each leverage source and attach written commitment letters to their Exhibit 2 application in *e-snaps*. Undocumented leveraging claims may result in re-scoring of an application and possible withdrawal of a conditional award. Renewal projects will be required to have the documentation on file and HUD may request evidence of actual fund commitments as part of its monitoring review.

In 2011, HUD will not assign Continuum of Care ranking points based on leverage associated with renewal projects. Points will only be assigned based on the Continuum's proposed new permanent housing projects. Nonetheless, it is still important for every project to demonstrate that it has significant leverage.

Sources of Leverage

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. However, the value of commitments of land, buildings and equipment are one-

time only and cannot be claimed by more than one project or by the same project in another year. 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.

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/ equipment provided 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.

Documenting Leverage

Documentation requirement

Written commitments for leverage are required for all project applicants. New project applicants will be required to have leveraging commitment letters at technical submission and renewal projects will be required to have the documentation on file for verification by HUD as part of on-site project monitoring. Only the value of contributions to a project for which the applicant has a written commitment at the time of application will be counted for leveraging.

Documentation format

Written agreements could include signed letters, memoranda of agreement, and other documented evidence of a commitment. (For an example, see the attached sample.) They must be documented on letterhead stationery, 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 the sponsor organization to which the contribution will be given; and
- The date the contribution will be available.

Model Commitment or Donation Letters for Leverage

RENEWAL 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 on** _____ (*beginning of 2012 Program Year*).

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 after** _____ (*beginning of 2012 Program Year*).

(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** _____ (*beginning of 2012 Program Year*).

Sincerely,

_____ (*name of authorized representative*)

_____ (*title*)