DEPARTMENT OF FAMILY AND SUPPORT SERVICES
CITY OF CHICAGO

DATE: September 23, 2016

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

RE: **Docket No. FR-5476-N-04: Continuum of Care Program: Solicitation of Comment on Continuum of Care Formula**

The City of Chicago respectfully submits its response to the Solicitation for Comments on the Continuum of Care Formula.

HUD's proposed switch in the nation's homeless services funding formulas would result in a shattering $22 million --approximately 50%-- reduction in Chicago's Preliminary Pro Rata Need (PPRN) for Continuum of Care funding. Clearly, a formula that results in a potential cut this large to America's third largest city with the ninth largest homeless population according to the 2015 Point-In-Time Count fails any justification as an accurate measure of homelessness. We strongly oppose all four proposed formulas.

Proposed Funding Formulas

The City of Chicago supports HUD's intent to identify reliable, consistent and appropriate statistical data, specifically factors that truly correlate to rates of homelessness, to determine its approach to revising the CoC funding formula; however, none of the four formulas presented utilize a combination of weighted factors with the highest correlation to rates of homelessness.

For instance, HUD found using Pearson's Correlation analysis that population had no significant correlation with rates of homelessness. Further, based on this same analysis, there was a correlation of only .153 with poverty as opposed to a much more significant .277 with overcrowding. Yet, in all proposed formulas, poverty or population was used and overcrowding was not, despite the fact that the data analysis would suggest that it has a higher correlation *than both poverty and population combined*.

As HUD recognizes, there are other central factors that contribute predominantly to homelessness and funding needs at local levels, beyond housing and economic conditions, including current levels of homelessness. We ask that if HUD moves forward with efforts to find a formula rooted in factors related to rates of homelessness, HUD further research and test those formulas that include only factors with significant correlations to rates of homelessness, and that also factor actual homelessness numbers in each CoC.

75%/25% split

In the absence of a formula with strong correlations to rates of homelessness that accurately reflects the need in each community, any application of a new PPRN formula must include a 75%/25% split for ESG entitlement communities/non-entitlement communities. This is essential, because, as HUD states in the proposed rule, ESG entitlement communities are "where homelessness is more concentrated;" therefore maintaining the current 75%/25% split directly aligns with the goal of incorporating factors that are genuinely relevant to measuring homelessness.

Minimizing Harm

As HUD knows, some Continuums will be greatly impacted by any of the four currently proposed formula options. The proposed formulas result in a loss of between $25,995,807 and $22,436,37 in Chicago's PPRN. While the detailed impact of this loss on Chicago's Annual Renewal Demand (ARD) is unclear, the potential is devastating and could reverse years of advances against homelessness in Chicago.

If HUD moves forward with one of the proposed options, it is imperative that HUD commit to steps to mitigate the impact of any funding cuts on Chicago. We ask HUD to apply a new formula solely to new or increased funds to the CoC Program. If not applied solely to new funding, we recommend that the Annual Renewal Demand (ARD) be used as a baseline. Using the ARD would ensure that the base funding level aligns with renewal need and minimizes impact as any revised formula is phased in. If this formula change results in reductions to minimum levels of CoC funding, HUD should institute caps that limit reductions to 2-5% per year to allow CoCs adequate time to operationalize those reductions.