



21st Century ROAD to Housing Act

Title V, Section 503: *Incentivizing Local Solutions to Homelessness*

[Link to Section 503 Text](#)

SUMMARY

Section 503 allows ESG recipients to request a waiver of the 60% cap (see below) on emergency shelter and street outreach services. Waivers can cover fiscal years 2027 – 2030.

60% Cap: Maximum Allocation for Emergency Shelter Activities

42 U.S.C. 11374(b)

A grantee of assistance provided under section 11372 of this title for any fiscal year may not use an amount of such assistance for activities described in paragraphs (1) through (3) of subsection (a) that exceeds the greater of –

- (1) 60 percent of the aggregate amount of such assistance provided for the grantee for such fiscal year; or
- (2) The amount expended by such grantee for such activities during the fiscal year most recently completed before the effective date under section 1503 of the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009.

Eligible activities that fall under the 60% cap include:

- Emergency Shelters
 - The renovation, major rehabilitation, or conversion of buildings to be used as emergency shelters.
 - Maintenance, operation, insurance, provision of utilities, and provision of furnishings related to emergency shelter.
- Street Outreach – The provisions of essential services related to emergency shelter or street outreach, including services concerned with employment, health, education, family support services for homeless youth, substance abuse services, victim services, or mental health services (under certain circumstances).

IMPLEMENTATION TIMELINE AND RESPONSIBILITIES

To implement the waiver request process outlined below, HUD must:

- Establish waiver request review and approval / denial procedures for ESG grantees seeking to exceed the 60% emergency shelter spending cap
- Make all waiver requests publicly available on the HUD website
- Approve or deny each request within 60 days of receipt
- Publish any waiver revocations and the recipient's justification on the HUD website

There is no specified timeline for HUD to publish ESG waiver guidance. However, these waivers are only authorized from FY27 – FY30. COSCDA anticipates HUD will publish its guidance during FY27 (October 1, 2026 – September 30, 2027).

STATUTORY AND REGULATORY CHANGES

Section 414 of the McKinney-Vento Homeless Assistance Act

42 U.S.C. 11373 – Emergency Solutions Grants Program, Allocation and distribution of assistance

(f) Funding Cap Waiver Authority –

(1) In General. – Notwithstanding any other provision of law or regulation, a recipient may request a waiver to the expenditure limit established pursuant to section 11374(b) of this title for amounts provided for each of fiscal years 2027 through 2030.

(2) Waiver Request. –

(A) In General. – A recipient seeking a waiver described in paragraph (1) shall submit to the Secretary a waiver request that includes not more than the following:

- (i) A demonstration of local needs and circumstances that necessitate a waiver.**
- (ii) A detailed plan for how the recipient intends to use funds.**
- (iii) A justification for how the proposed use of funds supports the most recent Consolidated Plan submitted by the recipient.**
- (iv) Any public input solicited under subparagraph (B)(ii).**

(B) Notification. – Each recipient shall –

- (i) notify all subrecipients and local Continuums of Care that serve the recipient’s geographic area of the availability of waivers under this subsection; and**
- (ii) prior to the submission of a waiver request under subparagraph (A), solicit public input regarding the potential need for and proposed uses of such waiver.**

(C) Approval; Publication – The Secretary shall –

- (i) make all waiver requests submitted under subparagraph (A) publicly available on the website of the Department of Housing and Urban Development;**
- (ii) not later than 60 days after the date on which the Secretary receives a waiver request under subparagraph (A), approve or deny the request; and**
- (iii) deny any waiver request submitted under subparagraph (A) by a recipient that relocates or threaten to relocate individuals or their property without providing emergency shelter, rapid rehousing, transitional housing, permanent supportive housing, or other permanent housing options.**

(3) Revocation. –

(A) In General. – A waiver approved under this subsection shall remain in effect for the duration of the period of performance of fiscal year 2027 through 2030 grants, unless the recipient notifies the Secretary in writing that the recipient wishes to revoke the waiver.

(B) Notification. – If a recipient intends to revoke a waiver under subparagraph (A), the recipient shall –

(i) solicit input from subrecipients regarding the revocation before submitting the revocation; and

(ii) provide subrecipients with a summary of the input and the justification for the revocation in its submittal prior to notifying the Secretary in writing.

(C) Publication. – The Secretary shall publish any revocation of a waiver under subparagraph (A) and the justification of the recipient for the waiver on the website of the Department of Housing and Urban Development.