



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

OCT 13 2015

MEMORANDUM FOR: Harriet Tregoning, Principal Deputy Assistant Secretary for
Community Planning and Development, D

A handwritten signature in cursive, likely belonging to Ann Marie Oliva.

THROUGH: Ann Marie Oliva, Deputy Assistant Secretary for Special Needs, DN

FROM: Norm Suchar, Director, Office of Special Needs Assistance
Programs, DNS

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SUBJECT: Environmental Assessment and Finding of No Significant Impact
under the National Environmental Policy Act (NEPA)—Notice of
Funding Availability for the Fiscal Year (FY) 2015 Pay for
Success (PFS) Permanent Supportive Housing (PSH)
Demonstration (PFS Demonstration) (FR-5900-N-26)

It is the finding of this office that the Notice of Funding Availability (NOFA) for the Fiscal Year (FY) 2015 Pay for Success (PFS) Permanent Supportive Housing (PSH) Demonstration (PFS Demonstration) does not constitute a major Federal action having an individually or cumulatively significant effect on the human environment, and therefore, does not require the preparation of an environmental impact statement.

The purpose of the PFS Demonstration NOFA is to announce the availability of FY 2014 and FY 2015 Second Chance Act funds to be used for PFS projects implementing the PSH model and to provide program information and application instructions for the PFS Demonstration. The PFS Demonstration NOFA sets forth the requirements governing grants authorized by the Consolidated Appropriations Act, 2014 ([Pub.L. 113-76](#)) and the Consolidated and Further Continuing Appropriations Act, 2015 ([Pub. L. 113-235](#)). Available funds were appropriated to the Department of Justice (DOJ). DOJ and HUD entered into an interagency agreement that designates HUD as the agency responsible for implementing the PFS Demonstration.

PFS Demonstration grant funding may be awarded to recipients to conduct feasibility analyses, structure and implement PFS transactions, pay for a local third-party evaluator to validate outcomes, and/or pay for successful outcomes. PFS Demonstration recipients will fulfill the role of an intermediary that is responsible for working with a government entity and homeless assistance providers to assess the feasibility of a PFS project and/or structure PFS operations, including: partnership building; capital-raising activities; program design for the target population at the Demonstration Site; managing contracts with service providers; making Success Payments on behalf of the government entity or other payors; and managing third-party evaluators. Intermediaries may carry out all activities directly and/or subaward funds to subrecipients or procure the services of contractors to carry out PFS activities.

PFS strategies are typically public-private arrangements that enable a government to test or expand innovative programs while paying only for those that achieve agreed-upon target outcomes. PFS strategies are typically associated with preventive social interventions and are implemented through PFS contracts between a government (or other payor for social outcomes) and a nonprofit social service provider. PFS contracting models involve payors and service providers who agree that all or some portion of payment for services will not be paid until an agreed-upon set of outcomes or level of impact has been verified. Such payments for outcomes are known as Success Payments. Achievement of outcomes is typically verified by an independent evaluator agreed upon by all parties to a transaction.

Given that verification of outcomes that trigger Success Payments may take several years, service providers often will not have the resources to self-finance costs of implementing a preventive intervention during a contract period. For this reason, PFS contracting may require PFS financing, sometimes referred to as “social impact bonds” or “outcomes financing,” through which third-party investors provide financial resources necessary to carry out the intervention. Such third-party investment is typically at-risk and return of capital (and any potential return on investment) via the payor is dependent, in whole or in part, on the achievement of outcomes identified in the PFS Contract.

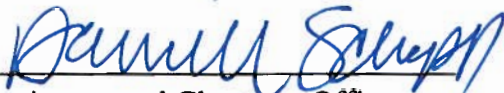
Individual project sites to be funded by awards under this NOFA might not be known at the time the individual grant agreements are awarded and also might not be known when some of the individual subgrants are made. Selection for funding does not constitute approval of individual project sites. After selection for funding, HUD will perform an environmental review of individual sites in accordance with 24 CFR Part 50, as applicable, when the sites are identified. Therefore, in accordance with 24 CFR 50.3(h), the application must contain assurances to HUD that the applicant agrees to assist HUD to comply with 24 CFR Part 50, and will:

1. supply HUD with all available, relevant information necessary for HUD to perform for each property any environmental review required by 24 CFR Part 50;
2. carry out mitigating measures required by HUD or select alternate eligible property; and
3. not acquire, rehabilitate, convert, lease, repair, demolish or construct property, nor commit or expend HUD or local funds for these program activities with respect to any eligible property, until HUD approval of the property is received.

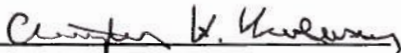
This Office finds that issuance of this NOFA will not have a significant effect on the human environment because prior to any grantee’s commitment of funds for any activities that would have an environmental impact or limit the choice of reasonable alternatives, an environmental review of these activities under the NEPA and related laws and authorities will be conducted. Thus, the environmental effects of activities assisted under this NOFA will be taken into account at the appropriate time, and environmental impacts will be assessed in the local setting in which they will occur.

FR-5900-N-26

Concurrences:

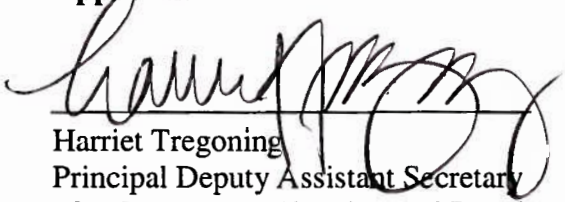

Environmental Clearance Officer
Office of Environment and Energy

10/13/15
Date


Christopher Hartenau
Environmental Clearance Officer
Office of General Counsel

10/13/15
Date

Approval:


Harriet Tregoning
Principal Deputy Assistant Secretary
for Community Planning and Development

10/13/15
Date