phase when there is some hope that these costs will be reimbursed." No changes are made based on this comment. The rule does not require use of professional consultation or any large expenditures for the initial phase of the application process.

It was also suggested that VA make specific allocation of funds to the per diem and grant components of the program. No changes are made based on this comment. Instead of predetermining amounts, it is our view that the amounts should be allocated on an ad hoc basis based on need and availability of funds. Even so, we agree that funding should provide for both per diem and grant awards, and we will ensure that both receive portions of allocations.

The writer also commented that the rating criteria should award additional points to "veteran-run programs." No changes are made based on this comment. The grant and per diem program as authorized under Pub. L. 102–590 does not address this issue, and there does not appear to be a basis for giving preference to veteran-run programs.

Another comment stated that the point system used for rating grants should include points for targeting homeless veterans discharged from VA medical centers. No changes are made based on this comment, since the rule already includes this concept (see 38 CFR 17.711 (d)(2)).

This commenter also disagreed with the statement in the Preamble to the interim final rule that the "vast majority of homeless veterans are single". No changes are made based on this comment. We believe that such statement is correct. The statement is consistent with the Executive Summary of the 1990 Annual Report of the Interagency Council on the Homeless, which states that "Over three-quarters of homeless adults are unattached single men, (and) 8% are unattached single women" (page 24); and that the "characteristics of homeless veterans appear to roughly parallel those of other homeless persons of the same sex" (page 33)

It was also asserted that the grant program should not prohibit use of grant funding to construct, expand, remodel or acquire buildings located on VA owned property. Except as provided for in 38 U.S.C. 8122 or 40 U.S.C. 484, such VA property may not be purchased. In essence, applicants could only "acquire" these VA owned properties by lease, and lease payments are operational costs. Pub. L. 102–590 section 3(c) prohibits use of grant funds to support operational costs.

Furthermore, the interim final rule limited uses of grant funding to acquisition, expansion and rehabilitation of structures owned by the applicant, or held by the applicant under a capital lease, in order to ensure long-term use of such structures to benefit homeless veterans. However, we are amending § 17.700 by revising the last sentence of paragraph (a) to permit use of grant funding to construct, expand or remodel buildings located on VA medical center grounds. A corresponding change is made in §17.731(a)(1) to allow such leases to be used to demonstrate site control. We believe that these changes are consistent with the Congressional intent. In this regard, Congress stated:

The Committee views the bill as a catalyst to spark linkages both between programs within VA as well as between VA and communitybased programs. \* \* \* The bill not only seeks to encourage new partnerships between VA programs and those serving in the same communities, but to provide seed money to start up new programs which would work in concert with VA efforts. (138 Cong. Rec. House Report No. 102–721 (July 24, 1992) reprinted in 1992 U.S.C.C.A.N. 4318).

The amendment would provide a means to enhance VA partnerships with community-based programs, and would allow for better and more immediate access to health and other benefits at VA medical centers. Moreover, if a grant recipient whose program was funded on VA medical center grounds ceased to operate the program, VA could seek another community-based organization to occupy the site and conduct a program for homeless veterans that carries out the purposes of the Act.

It was also asserted that the per diem program should not be restricted to new programs established after November 10, 1992. No change to the rule is made based on this comment since this a requirement of Pub. L. No. 102–590 (see section 4(a)).

Two of the commenters asserted that recipients of grants should be able to obtain a grant by providing less than 35 percent of the total project costs. No changes are made based on this comment. VA has no choice in this matter, since Pub. L. 102–590 section 3(c) provides that the amount of a grant "may not exceed 65 percent of the estimated cost \* \* \*."

Three commenters asserted that grants should provide for operating costs. No changes are made based on these comments. VA has no choice in this matter since Pub. L. 102–590 section 3(c) states that a grant may not be used to support operational costs. However, it is noted that even though operational costs are not allowed under the grant component, payments under the per diem component necessarily include operational costs.

Several comments were based on incorrect assumptions. It was commented incorrectly that the rule limits funding for remodeling or renovating VA foreclosures acquired under the McKinney Act. The rule does not contain such limitation on the use of funds for remodeling or renovating VA foreclosed properties, and the McKinney Act does not pertain to VA foreclosed properties. It was also incorrectly stated that grant funds were not available to make necessary and reasonable improvements to accommodate access for disabled veterans. The rule contains no such prohibition. In addition, it was incorrectly stated that the rule excludes applicants if they are not United Way member organizations. The rule does not require United Way membership as a condition of eligibility to apply for grants or per diem payments.

Changes are made in the final rule to more clearly set forth the Congressional intent with respect to the meaning of "new program/new component of existing program". In this regard Congress stated that:

The intent of the grant program is to assist in the establishment of new programs, or new components of existing programs, that will provide needed services to homeless veterans. In this regard both newly established organizations and existing organizations would be eligible for grant support for the furnishing of specified assistance that is needed in the area or community so long as, in the case of existing organizations, they are not already providing that kind of assistance in such area or community. (138 Cong. Rec. S. 17185 (Oct. 7, 1992) reprinted in 1992 U.S.C.C.A.N. 4335, 4336).

The final rule is amended to better reflect this Congressional intent. We are adding a definition of "area or community" because it is relevant for determining whether or not the proposed project constitutes a new program or new component of an existing program. In this regard, the "new program/new component of an existing program" must be both needed and not already provided by the applicant in the "area or community". Since it was intended that organizations be prohibited from receiving grants for the same kind of assistance they already have been providing in an area or community, it is necessary to specify at what point they would be in a different area or community and therefore eligible to receive a grant, assuming all other applicable conditions are met. To better reflect Congressional intent, the