

MEMO TO FILE: NOFO Impacts Overview:

FROM: Gavin Cooley, President, Spokane Business Association
DATE: May 20, 2026
RE: Directional HUD CoC NOFO funding shift, Housing First to recalibrated continuum

HUD CoC NOFO Funding Shift, Notes and Explanations

Prepared as of May 19, 2026. The FY 2026 CoC NOFO has been announced as expected by June 1, 2026, but the final NOFO text is not yet available. Therefore, the percentages below should be treated as directional and provisional, not as final legal requirements.

Executive Summary

The direction of travel is clear: HUD is signaling a major rebalancing of Continuum of Care funding away from a portfolio dominated by permanent housing interventions and toward a broader mix of transitional housing, supportive services, street outreach, treatment, recovery, employment, and self-sufficiency activities.

The simplest numerical frame is approximately 87 to 90 percent permanent housing today, moving toward a possible 30 percent permanent housing cap or constraint under the reform proposals discussed in late 2025 and early 2026. Transitional housing, historically around 1 percent of national CoC awards, would likely rise substantially if the final NOFO follows the same direction.

The important technical point is that the proposed 30 percent number is not best described as “PSH goes from 90 percent to 30 percent.” More precisely, the proposed cap has been discussed as applying to permanent housing as a category, including Permanent Supportive Housing, Rapid Rehousing, and related permanent housing models. The final FY 2026 NOFO will need to be checked once issued.

Directional Funding Shift Table

Funding / Program Category	Recent / Current Pattern	Direction HUD Is Signaling	Likely Target / Constraint Discussed	Explanation
Permanent Housing overall, including PSH, RRH, and related PH models	Roughly 87 to 90 percent of CoC funding/projects nationally has been described as permanent housing.	Down sharply.	Approximately 30 percent cap or constraint has been reported/discussed, subject to final NOFO language and litigation/congressional constraints.	This is the central shift: permanent housing would no longer dominate the CoC portfolio. This does not necessarily eliminate PSH, but it would force ranking, triage, and possible conversion or replacement of some renewal projects.
Permanent Supportive Housing, PSH	Historically one of the largest uses of CoC funds,	Down or more restricted, but not eliminated.	Some reports discuss PSH renewal limits or PSH set-asides; final	PSH would likely be preserved for the most disabled, medically fragile, elderly, or long-term

	especially for chronic homelessness and disability-linked needs.		structure must be checked.	chronically homeless individuals, but with tighter prioritization and possibly more competition.
Rapid Rehousing, RRH	Included within permanent housing and often favored in Housing First-oriented systems.	Down or more scrutinized.	Likely included within any permanent housing cap if the final NOFO follows prior proposals.	RRH may need stronger exit plans, employment/income pathways, service intensity, and proof of effectiveness.
Joint Transitional Housing / Rapid Rehousing	Commonly treated as part of the permanent housing-oriented toolkit in recent CoC practice.	Unclear, but likely scrutinized if counted within permanent housing.	May be affected by the permanent housing constraint depending on final definitions.	The “joint” model may be less advantaged than pure transitional housing if HUD is deliberately restoring TH as a distinct intervention.
Transitional Housing, TH	Often cited at about 1 percent of national CoC awards or a very small share of the portfolio.	Up dramatically.	No final national percentage yet, but TH would absorb much of the reallocation if PH is capped.	This is the category most likely to grow: structured, time-limited housing tied to services, treatment, recovery, work, and clear exits to permanent housing.
Supportive Services Only, SSO	Historically a smaller portion of CoC funding.	Up.	No final national percentage yet.	HUD’s announcement specifically references SSO and services such as street outreach, childcare, outpatient addiction treatment, and job training.
Street outreach, treatment navigation, recovery, employment, childcare	Often secondary to housing placement in CoC scoring and local portfolio design.	Up.	No final national percentage yet.	These services appear central to the new theory: address underlying causes, not merely housing placement.
HMIS, coordinated entry, planning, administration	System infrastructure costs.	Likely continues, but not the center of the policy fight.	No final change noted here.	These functions remain necessary for CoC operations, ranking, data, coordinated entry, and compliance.

Explanatory Notes

1. Do not overstate the final rule before the NOFO is published.

HUD has announced the intended policy direction, but the final FY 2026 NOFO text is not yet available. The table should therefore be framed as “directional,” “anticipated,” or “based on reported/proposed structures,” not as final law.

2. The 30 percent number is a permanent housing category issue, not simply a PSH-only number.

In public reporting and stakeholder summaries, the proposed cap has generally been described as a limit on permanent housing, including PSH and RRH. Some subsequent descriptions discuss PSH-specific set-asides or renewal limits. The final NOFO will determine the precise mechanics.

3. The policy theory is a shift from Housing First dominance to a restored continuum.

HUD’s May 2026 announcement says the agency intends to rebalance the CoC program toward a diversity of solutions and underlying causes, increasing investment in transitional housing, supportive services, and SSO projects such as street outreach, childcare, outpatient addiction treatment, and job training.

4. The litigation and appropriations context matters.

The late 2025 and early 2026 CoC funding changes were contested in court and affected by congressional appropriations timing. Any public memo should avoid implying that every reported proposal survived unchanged.

5. Spokane relevance.

For Spokane, the issue is not merely whether Housing First is “good” or “bad.” The practical question is whether the local portfolio is flexible enough to support a differentiated response: PSH for those who cannot stabilize without long-term support, transitional and treatment-linked models for those who need structure, outreach and enforcement-linked engagement for those on the street, and employment/income pathways for those capable of recovery and self-sufficiency.

Suggested Language for Use in a Memo or Article

Directionally, HUD is preparing to move the Continuum of Care program away from a portfolio in which roughly 87 to 90 percent of funding has supported permanent housing interventions and toward a more balanced continuum. If the final NOFO follows the reform structure reported in late 2025 and early 2026, permanent housing, including PSH and RRH, may be limited to roughly 30 percent, while transitional housing, supportive services, street outreach, treatment, recovery, employment, and related self-sufficiency supports would receive substantially greater emphasis. The final FY 2026 NOFO should be checked when published, because the exact mechanics may change.

Sources and Verification Notes

- HUD, “HUD Moving Forward on Bold Homelessness Reform,” HUD No. 26-031. HUD states that the 2026 CoC NOFO is expected by June 1, 2026 and that HUD intends to increase investment in Transitional Housing, supportive services, and Supportive Services Only projects including street outreach, childcare, outpatient addiction treatment, and job training. URL: <https://www.hud.gov/news/hud-no-26-031>
- HUD, Continuum of Care Program page. HUD describes the CoC program and FY 2025 renewal funding activity, including 2026 quarterly renewal announcements. URL: <https://www.hud.gov/hud-partners/community-coc>
- HUD Exchange, CoC Program Eligibility Requirements. HUD identifies CoC program components including permanent housing, transitional housing, supportive services only, HMIS, and in some cases homelessness prevention. URL: <https://www.hudexchange.info/programs/coc/coc-program-eligibility-requirements/>
- National Alliance to End Homelessness, November 2025 and September 2025 stakeholder summaries. These summaries describe the reported 30 percent permanent housing cap and current permanent housing share around 87 percent. URLs: <https://endhomelessness.org/blog/after-the-shutdown-what-everyone-needs-to-know-about-the-upcoming-nofo/> and <https://endhomelessness.org/blog/ceo-corner-week-of-september-29/>
- POLITICO, November and December 2025 reporting. POLITICO reported the proposed reduction of permanent housing from roughly 87 to 90 percent to approximately 30 percent, later reporting HUD’s temporary withdrawal of the policy change. URLs: <https://www.politico.com/news/2025/11/13/trump-cuts-homeless-housing-program-00650758> and <https://www.politico.com/news/2025/12/08/hud-temporarily-pauses-homelessness-funding-overhaul-00682015>

- Reuters and AP, April 2026 reporting on litigation involving HUD homelessness funding changes. These reports provide context that the funding overhaul has been litigated and may be constrained by court rulings. URLs: <https://www.reuters.com/legal/government/trump-administration-cannot-alter-homelessness-funding-conditions-us-court-rules-2026-04-01/> and <https://apnews.com/article/82422d507fe36729d23c1de4923a6da6>

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