

MEMO TO FILE: HUD CoC NOFO, Spokane HEART Delay & the “Treatment First” MOU

FROM: Gavin Cooley, President, Spokane Business Association

DATE: May 16, 2026

RE: HUD CoC NOFO, the Spokane HEART delay proposal, and the “Treatment First” MOU

Executive Summary

The short answer is that Spokane is facing a real federal funding risk, but not yet a confirmed, quantified funding cut. The most accurate description is: anticipated federal realignment, likely project-level disruption, possible net reductions for some existing Spokane CoC-funded projects, and unknown aggregate impact until HUD releases the FY 2026 CoC NOFO and Spokane maps its current portfolio against the new rules.

The Center Square article is directionally grounded in real events, but its framing is stronger than the evidence supports. HUD has plainly announced a policy shift away from Housing First and toward treatment, transitional housing, supportive-service-only projects, law-enforcement partnerships, and broader provider participation. But the article sometimes treats anticipated impacts as if they are already known. They are not.

The City of Spokane’s Urban Experience Committee item appears to be a risk-management move: delay a locally funded HEART services funding opportunity until spring 2027 so the City can see what HUD does, identify federal funding gaps, and deploy local 0.1% sales tax dollars more strategically. That is not itself a tax increase, and it is not proof that cuts have already occurred. It does mean providers who expected a local services NOFA in 2026 may face delay.

The “Treatment First” MOU is best understood as a nonbinding political and policy-positioning document. It may have some rhetorical value if HUD rewards treatment-oriented partnerships, but I found no evidence that signing it is a formal HUD funding requirement, that failure to sign it automatically costs Spokane money, or that it independently creates eligibility for new federal funds.

Sheldon Jackson’s email is useful as an alarm bell, but too categorical as analysis. His concern that HUD may reduce funding for Housing First-oriented projects is plausible. His claim that the MOU could “save federal funding” is not demonstrated by the available record. The safer conclusion is that the MOU might help demonstrate political alignment with HUD’s stated direction, but the controlling questions will be the actual FY 2026 NOFO, Spokane’s CoC application, project eligibility, project ranking, provider capacity, and documented treatment/service partnerships.

Bottom-Line Answers to Your Questions

Question	Assessment
Are there really funding cuts?	Not confirmed yet in a final, quantified Spokane-specific way. HUD has announced a federal policy realignment. If the FY 2026 NOFO resembles the FY 2025 NOFO that was blocked by the courts, Spokane could see reductions to existing CoC-funded permanent housing renewals and a shift toward treatment, transitional housing, supportive services, and broader competition. But the actual Spokane impact is

	unknown until the NOFO is released and scored.
Is this just realignment?	It is at least realignment. It could also produce reductions for some existing projects. A realignment can feel like a cut when renewal dollars are no longer automatically available to incumbents or to the same project types.
What is the City doing?	The City appears to be proposing a resolution to delay the HEART funding availability for housing-related and behavioral health services until spring 2027. The stated rationale is to wait for HUD's FY 2026 CoC framework, identify service gaps, and use local money more strategically.
What are the implications of the City's response?	The positive implication is flexibility: the City preserves local dollars to fill real gaps after the federal picture becomes clearer. The negative implication is timing: local service providers may wait longer for HEART service funds, and the City may appear reactive or defensive if it does not explain the strategy clearly.
Does the MOU affect HUD funding?	Not directly, based on available sources. HUD funding is governed by statute, regulation, the NOFO, CoC governance, project eligibility, scoring, ranking, and awards. A nonbinding MOU may support a narrative of local alignment, but it does not appear to be a formal condition of funding.
Does it matter whether Spokane, Spokane County, or Spokane Valley signs?	Politically, yes. Substantively, maybe, but only if the final NOFO rewards regional treatment partnerships, law-enforcement engagement, or broad local alignment. Legally or mechanically, I found no evidence that signing the MOU is required for HUD funds.
Is the Center Square article political more than factual?	It contains factual reporting, but the frame is political and somewhat alarm-oriented. The article's most important caveat comes from Arielle Anderson: if HUD issues a NOFO similar to the November version, the City expects reduced overall funding, but exact gaps are not knowable yet.

Relevant Federal Background

1. The Executive Order is real, but it repeatedly says “to the extent permitted by law.”

President Trump's July 24, 2025 executive order directs HUD, HHS, DOJ, and other agencies to reassess grants and funding priorities around encampments, public drug use, treatment, civil commitment, law enforcement, and Housing First. It directs agencies to consider priority for jurisdictions that enforce prohibitions on open drug use, camping, loitering, and squatting, and to move individuals with serious mental illness or substance-use disorder toward treatment where legally permissible. [S1]

The order also directs HUD and HHS to take actions, to the extent permitted by law, to end support for Housing First policies that “deprioritize accountability” and to consider treatment or mental health service participation requirements for recipients with substance-use disorder or serious mental illness. [S1]

That qualifying phrase matters. The executive order does not by itself rewrite the McKinney-Vento Act, HUD regulations, annual appropriations, or court orders. It sets executive-branch direction, but implementation must still occur through legally valid NOFOs, rulemaking where required, grants management decisions, and litigation risk.

2. HUD's attempted FY 2025 shift was blocked, but HUD has signaled it will try again in FY 2026.

HUD announced a FY 2025 CoC NOFO that it described as a major reform, redirecting funding toward transitional housing and supportive services, increasing competition, encouraging treatment requirements, and expanding participation by faith-based and other providers. HUD stated that roughly 90% of CoC awards in the prior four years went to Housing First-related projects and that it would require 70% of projects to be competed. [S2]

That FY 2025 NOFO did not simply disappear as a policy signal. However, HUD's own CoC Program page states that the FY 2025 NOFO is enjoined under preliminary injunctions in *State of Washington v. HUD* and *National Alliance to End Homelessness v. HUD*, and that HUD will not implement or enforce that NOFO pending further court order. [S3]

HUD later announced that the FY 2026 CoC NOFO is expected by June 1, 2026, with awards expected by December 1, 2026. In that announcement, HUD stated that it intends to "rebalance" the CoC program toward transitional housing, supportive services, supportive-service-only projects such as street outreach, addiction treatment, job training, and other services, and broader partnerships including faith-based organizations, law enforcement, treatment providers, and specialty courts. [S4]

3. The key issue for Spokane is not "all HUD funding," but CoC renewal vulnerability and project mix.

Spokane's regional homelessness funding picture includes local, state, and federal funds. The immediate controversy is about HUD Continuum of Care funding, not every homelessness-related dollar. Spokane's CoC is WA-502, Spokane City & County CoC, with the City of Spokane serving as collaborative applicant and HMIS lead in prior CoC materials. [S5]

HUD award reports show Spokane's CoC has historically included permanent housing, rapid rehousing, transitional housing, supportive services only, HMIS, planning, and UFA costs. For FY 2023, the HUD Exchange award report listed a total of \$6,333,005 for WA-502. [S6] The 2024 award listing also shows multiple Spokane projects across permanent housing, joint transitional housing/rapid rehousing, transitional housing, supportive services only, HMIS, planning, and UFA costs. [S7]

Therefore, the likely local issue is not whether "Spokane loses HUD" in the abstract. It is whether existing renewal projects, especially permanent housing and Housing First-oriented projects, remain competitive or eligible under the final FY 2026 NOFO, and whether Spokane can develop enough treatment, transitional housing, supportive-service, and coordinated-engagement projects to compete for reallocated funds.

The Center Square Article: What It Actually Says

The article reports that the City may delay a local HEART funding opportunity for behavioral health and homelessness service providers while waiting for HUD's June 1 federal guidance. It cites the Urban Experience Committee agenda item and says local law requires an annual funding availability for housing-related or behavioral health services by June unless delayed by City Council resolution. [S8]

The article's most important sentence is not the headline; it is the quote attributed to Arielle Anderson: "If the new NOFO aligns with the November NOFO we will see reduction in overall

funding,” followed by the caveat that “knowing exactly where the biggest gaps will occur is not possible yet.” [S8]

That is a careful statement. It says reduction is expected if HUD repeats the November framework, but the City does not yet know exact project or provider impacts. The article’s headline, “braces for homelessness funding cuts,” is plausible as shorthand but overstates certainty if read to mean cuts are already final or already quantified.

What the City of Spokane Is Doing in Urban Experience Committee

The May 18, 2026 Urban Experience Committee agenda lists a discussion item: “Resolution delaying HEART funding availability for housing-related and behavioral services to spring 2027,” presented by Arielle Anderson. [S9] The same agenda states that no legislative action will be taken in the committee meeting itself. [S9]

The City’s local code requires an annual notice of funding availability for construction, rehabilitation, or acquisition by May 1 unless delayed by Council resolution, and an annual notice for housing-related or behavioral health services by June 1 unless temporarily extended or delayed by Council resolution. [S10]

A separate 2026 HEART development RFP, issued March 2, 2026, concerns development of affordable housing and behavioral health facilities and estimated \$5.8 million in development funds. That is distinct from the service NOFA being discussed for delay. [S11]

Practical interpretation

- This is not evidence that a federal cut has already occurred.
- It is not, by itself, a new local tax proposal.
- It is a proposal to hold back or postpone a local services funding round so local dollars can be used after the federal impact is clearer.
- The tradeoff is between immediate local service funding and later strategic gap-filling.

The HEART Delay: Risk Management or Red Flag?

It is both, but more risk management than red flag. A reasonable public agency might delay flexible local dollars if a large federal funding source is about to change. That allows local dollars to serve as a reserve against federal disruption. But the City should be pressed to answer four practical questions before the delay is adopted:

- How much HEART service funding would otherwise have been released in 2026?
- What providers or service categories were likely to apply?
- Will the delayed funds remain segregated and available for homelessness and behavioral health services in spring 2027?
- What decision process will be used after HUD releases the FY 2026 NOFO, and when will Council and providers see a gap analysis?

The MOU: What It Does and Does Not Do

The available record suggests the MOU is nonbinding. In a Medical Lake council discussion summarized by CitizenPortal, Sheldon Jackson reportedly described the MOU as “nonbinding,” and presenters stated that it would not itself create new federal funds, though they argued it could help shift existing HUD funding priorities toward treatment services. [S12]

The letter sent to HUD by Sheldon Jackson, Jonathan Bingle, and Sheriff John Nowels says the MOU’s purpose was to show HUD that Spokane County was willing to “embrace Treatment” when HUD is ready to transition. The letter lists Airway Heights, Liberty Lake, Millwood,

Medical Lake, Deer Park, and Cheney as signers, lists Spokane Valley and Spokane County as presented but not voted, and says the City of Spokane would not allow a presentation. [S13]

HUD’s own FY 2026 announcement says applicants must apply through the Collaborative Applicant of the CoC in their geographic area, with a Solo Applicant appeal process for applicants that attempted to participate but believe they were denied reasonable participation. [S4] That is the mechanics of HUD funding. The MOU is not identified by HUD as a required funding document.

Likely value of the MOU

- Political signaling: It shows that some jurisdictions and officials want a treatment-first direction.
- Narrative support: If the final NOFO rewards treatment partnerships or regional collaboration, the MOU could help tell that story, especially if accompanied by actual projects, providers, budgets, and implementation capacity.
- Coalition-building: It may help treatment providers, law enforcement, local governments, and civic groups coordinate around a shared policy direction.

Limits of the MOU

- It does not appear to be binding.
- It does not appear to be a HUD eligibility requirement.
- It does not itself create treatment beds, outreach teams, housing units, grant applications, matching funds, or data capacity.
- It does not override the CoC process, the NOFO, federal law, court orders, or HUD scoring rules.

Assessment of Sheldon Jackson’s Email

Jackson’s email should be separated into claims:

Claim in Jackson Email	Assessment
“We created a Memorandum of Understanding that would have showed HUD that we were actively participating in this transition.”	Mostly fair as a political statement. The MOU could demonstrate alignment with HUD’s announced direction. But it is not clear that HUD would treat it as a material funding factor unless the final NOFO rewards that type of regional commitment.
“The City of Spokane, Council and the Mayor, belittled our efforts and would not even allow us to present our position.”	The letter to HUD makes this claim, but I did not independently verify the procedural history. It should be treated as the group’s characterization unless minutes or communications confirm it.
“It looks like the City of Spokane has now realized that they are about to lose funding.”	Overstated. The City appears to be preparing for possible funding reductions if HUD follows the November framework. “About to lose funding” is plausible as risk language but too definitive as fact.
“We have been saying this for months but ignored and ridiculed.”	Political characterization. It may be true as to the group’s experience, but it is not the central funding issue.
“Reconsider the MOU...to save Spokane.”	Too strong. Reconsidering the MOU may have political or narrative value, but the decisive steps are substantive: align actual CoC applications, provider

	partnerships, treatment capacity, data, outcomes, and local gap funding with whatever the FY 2026 NOFO requires.
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Where the Center Square Article Is Factual, and Where It Leans Political

Factual core:

- HUD has announced a major policy shift and expects the FY 2026 CoC NOFO by June 1, 2026. [S4]
- HUD's FY 2025 effort to change CoC funding priorities was enjoined. [S3]
- Spokane's Urban Experience Committee agenda includes a resolution to delay HEART services funding availability to spring 2027. [S9]
- City code requires the services funding availability by June 1 unless delayed by Council resolution. [S10]
- City staff reportedly expects reductions if the new NOFO mirrors the November NOFO, but cannot know exact gaps yet. [S8]

Political or underdeveloped framing:

- The article's "funding cuts" framing may make realignment sound already final.
- The article gives substantial weight to MOU advocates but does not establish that the MOU has a formal HUD funding effect.
- The article does not fully separate aggregate funding loss from project-level reallocation. Spokane could lose some current renewals while other treatment-oriented or supportive-service projects gain funding.

Implications for Spokane and SBA

1. The risk is real enough to require preparation.

Spokane should assume the final FY 2026 NOFO will reward some combination of treatment access, transitional housing, supportive services, law enforcement or first-responder partnerships, public safety outcomes, faith-based provider inclusion, competition, and measurable self-sufficiency outcomes. That does not mean all permanent housing or Housing First projects disappear, but the risk to incumbent renewal funding is real.

2. The City's HEART delay should be judged by the quality of the follow-through.

The delay is defensible only if it leads to a disciplined gap analysis and a strategic local funding plan. If the City simply delays the NOFA without clear milestones, public reporting, and provider coordination, it will look like drift.

3. The MOU debate should not distract from operational readiness.

The MOU may be politically useful, but Spokane's stronger position will come from having real projects ready: treatment beds, crisis stabilization, street outreach, diversion, transitional housing, sober housing pathways, specialty court linkages, data-sharing protocols that comply with law, and providers capable of submitting competitive applications through the CoC process.

4. The City should not let "Housing First versus Treatment First" become a binary argument.

A practical Spokane position can be: housing remains necessary, but publicly funded homelessness systems must also address addiction, serious mental illness, public safety,

treatment engagement, and measurable exits from street homelessness. That is a stronger frame than either defending the status quo or claiming the MOU alone will solve funding risk.

Recommended Questions to Ask the City

- What is the dollar amount of the HEART services NOFA being delayed, and where will those funds sit until spring 2027?
- Will the delayed funds be reserved for federal-gap backfill, or may they be redirected to other purposes?
- What is the City's current estimate of Spokane CoC projects at risk if HUD repeats the November FY 2025 framework?
- Which categories are most vulnerable: permanent supportive housing, rapid rehousing, coordinated entry, HMIS, youth projects, DV projects, transitional housing, or supportive-service-only projects?
- What new treatment-oriented or supportive-service-only applications are being prepared for FY 2026?
- How will law enforcement, behavioral health providers, detox, crisis stabilization, specialty courts, and shelter providers be incorporated into the CoC application?
- Does the City believe signing or not signing the Treatment First MOU has any formal HUD scoring effect? If yes, identify the exact NOFO language or HUD guidance.
- When will Council and the public receive a written federal funding gap analysis after HUD releases the NOFO?
- What is the contingency plan if the NOFO is delayed, litigated, or partially enjoined again?

Recommended SBA Position

SBA should avoid echoing either extreme: do not say "the cuts are fake," but also do not say "failure to sign the MOU has already cost Spokane federal funding" unless that can be proven. A disciplined position would be:

"Spokane faces a serious but not yet fully quantified federal funding risk. HUD has clearly signaled a shift toward treatment, accountability, supportive services, and broader competition. The City's proposed HEART delay may be prudent if it is tied to a prompt public gap analysis and a concrete plan to align local funds with the new federal framework. The regional MOU may help demonstrate policy alignment, but it is not a substitute for real treatment capacity, competitive projects, lawful data systems, and strong CoC applications."

Sources Reviewed

[S1] White House, "Ending Crime and Disorder on America's Streets," July 24, 2025.

<https://www.whitehouse.gov/presidential-actions/2025/07/ending-crime-and-disorder-on-americas-streets/>

[S2] HUD, "HUD Secretary Scott Turner Leads Monumental Reforms to Homelessness Program," FY 2025 CoC NOFO announcement. <https://www.hud.gov/news/hud-no-25-132>

[S3] HUD, Continuum of Care Program page, FY 2025 CoC NOFO update and preliminary injunction discussion. <https://www.hud.gov/hud-partners/community-coc>

[S4] HUD, "HUD Moving Forward on Bold Homelessness Reform," FY 2026 CoC NOFO announcement. <https://www.hud.gov/news/hud-no-26-031>

[S5] City of Spokane, FY 2024 and 2025 Spokane Regional CoC Consolidated Application.

<https://static.spokanecity.org/documents/chhs/funding-opportunities/coc/fy-2024-coc-renewal-project/fy-2024-and-2025-spokane-regional-coc-consolidated-application.pdf>

[S6] HUD Exchange, WA-502 Spokane City & County CoC FY 2023 award report.

https://files.hudexchange.info/reports/published/CoC_AwardComp_CoC_WA-502-2023_WA_2023.pdf

[S7] HUD Exchange, WA-502 Spokane City & County CoC FY 2024 award report.

https://files.hudexchange.info/reports/published/CoC_AwardComp_CoC_WA-502-2024_WA_2024.pdf

[S8] The Center Square via Everett Post, "Spokane braces for homelessness funding cuts ahead of new federal funding rules," May 15, 2026. <https://www.everettpost.com/state-news/spokane-braces-for-homelessness-funding-cuts-ahead-of-new-federal-funding-rules/>

[S9] City of Spokane, Urban Experience Committee agenda, May 18, 2026.

<https://static.spokanecity.org/documents/citycouncil/special-notice/2026/05/special-notice-urban-experience-committee-2026-05-18.pdf>

[S10] Spokane Municipal Code 08.07C.051, Funding Process and Timeline. <https://my.spokanecity.org/smc/?Find=ment&Section=08.07C.051>

[S11] City of Spokane CHHS Funding Opportunities, 2026 HEART Development Funding RFP/NOFA.

<https://my.spokanecity.org/chhs/funding-opportunities/chhs/>

[S12] CitizenPortal summary, Medical Lake council hears regional treatment-first MOU.

<https://citizenportal.ai/articles/7208879/washington/spokane-county/medical-lake/Medical-Lake/Spokane-County/Washington/Medical-Lake-council-hears-regional-treatment-first-MOU-agrees-to-take-up-signature-in-January>

[S13] Letter to Dr. Robert Marbut and Christopher Patterson re: Memorandum of Understanding, Transitioning to Treatment First. <https://bloximages.newyork1.vip.townnews.com/thecentersquare.com/content/tncms/assets/v3/editorial/f/ce/fce76956-a896-4473-9c25-1cf07070fd5b/6a039efc22a7a.file.pdf>

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