

Transitional Housing

The U.S. Department of Housing and Urban Development (HUD) has directed that resources in the homelessness response system funded by the HUD Continuum of Care will shift from permanent housing to transitional options that include time limits, work requirements, and connections to services as conditions for housing. Consistent with the changes in policy, Scott Turner, HUD Secretary, has stated that federal housing assistance should not be a permanent hammock but a trampoline to help people achieve self-sufficiency.

The 2026 Notice of Funding Opportunity (NOFO) addresses the shift by incentivizing transitional housing and supportive service only projects. This resource explores models of Transitional Housing and how current programming should be modified to comply with new requirements while centering the needs of participants. Keep in mind that that providers may not operate drug injection sites, knowingly permit illicit drug use on their property, or distribute drug paraphernalia — though this is not a requirement that participants be sober or in treatment to receive assistance. Provider and resident households will need to agree on participation in services that are documented by an addendum to the lease or occupancy agreement or contract, and and service plans describing 20 hours per week of engagement in services, activities, or employment will be a key scoring criterion for new projects.

*Please note that **Transitional Housing Tenant Based Rental Assistance cannot be administered by a nonprofit**; rather a nonprofit would need to partner with a PHA or unit of government or create a leasing project.*

Models of Transitional Housing

Transitional Housing provides time-limited stable housing supported by services intended to prepare individuals and families for self-sufficiency.

- Services may be on-site or arranged in the community and may include connections to workforce development, employment, education, healthcare, behavioral healthcare, legal services, budgeting, childcare, parenting resources, and/ or other possibilities based on **the participant's individualized services plan that becomes an addendum to the lease or occupancy agreement or a contract between the program and the participant**. Services should be designed to meet the specific needs of the population served.
- Residents of Transitional Housing under the CoC program may come from homelessness, incarceration, rehabilitation centers, mental health institutional care,

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foster care, or other settings, as long as they meet the definition of homelessness in **categories 1, 2, or 4** for Transitional Housing programs.

- Generally, Transitional Housing would be either site-based, scattered site, or transition-in-place.
- Successful exits from Transitional Housing would be to permanent housing paid for by the household.

Site-Based Transitional Housing

Site-based Transitional Housing provides housing in a building that is owned or leased by the service provider to multiple individuals or families.

- The space reserved for participants may be a bed in a shared room with access to shared bathroom, recreation, and kitchen facilities or may include a private room that may have a private bathroom with shared recreation and kitchen facilities or some other configuration.
- Services:
 - The services on-site may include life-skills training, budgeting, saving for deposits and future housing options, legal services, mental health and/ or sobriety supports, transportation, and other options.
 - Community-based options may include education, workforce development, links to employment, outpatient health services, or other support based on the needs of the residents.
- Each household has a lease or occupancy agreement with a term of at least one month that ends in 24 months and cannot be extended.
- Successful exits from site-based Transitional Housing would be to housing in the community that is either subsidized or market rate, paid for by the household. The NOFO incentivizes programs that demonstrate that at least 50% of the participants exit to a positive destination within 24 months, and at least 50% of participants exit with employment income.

Transition-In-Place or Scattered Site Transitional Housing

Transition-In-Place housing and scattered site transitional housing are typically apartments or single-family homes that are leased on a unit-by-unit basis to provide time-limited stable housing for individuals and families. The lease may be in the name of the household, or the service provider may sub-lease the home to an individual or family, depending on the structure of the grant agreement. Non-profit organizations would lease the units and sub-lease to the participants or would have an agreement (sub-recipient arrangement or contract) with a public housing authority or unit of government to administer tenant based rental assistance. Grantees who are a PHA or unit of government would typically administer tenant based rental assistance in scattered site or transition-in-place transitional housing.

- Services would be provided in the home as needed and in the community. In-home services might include case management visits, budgeting, health support, mental health support, sobriety support, and other services based on the needs of participants. Outpatient supports may include education, workforce development, links to

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employment, outpatient health or behavioral health services, or other supports based on the needs of the participants.

- Successful exits from transition-in-place housing would typically include the household moving the lease from the name of the provider to the name of the participant if the lease was in the provider's name or the lease would remain in the participant's name and the household would remain in the home. The resident would take over rent payments or may have secured a voucher to assist with affordability once the Transitional Housing period ends. **The NOFO requires that at least 50% of the participants exit to non-subsidized housing within 24 months, and at least 50% of participants exit with employment income.**
- Successful exits from scattered site transitional housing may be a transition in place arrangement or may be that the participant moves to another affordable unit and the existing unit remains with the program.

Modifying Programming to Comply with Possible New Requirements

Practical Considerations

It is possible to create new Transitional Housing Projects through:

- Transition Project
 - HUD allows certain renewal permanent housing projects to change the program type to Transitional Housing to align with HUD's priorities.
 - The applicant may need to revise the program description and/or the program budget to be consistent with the new program type's requirements.
 - The project renewal, identified as a transition project with a new program type of Transitional Housing, would be rated and ranked and included in the priority listing as part of the CoC application.
- New Projects by Reallocation
 - Through the local CoC process, communities may choose to defund permanent housing programs that are not aligned with HUD's priorities.
 - Through the local CoC's process, new projects that are aligned with HUD's priorities may be selected to replace the defunded projects and included in the priority listing as part of the CoC application.
- New Projects as Bonus Projects
 - HUD has allocated bonus funds to support new projects that align with its priorities.
 - Communities would rate and rank the new bonus projects in their priority listing as part of their CoC application.

Rapid Rehousing (RRH) to Transitional Housing

Rapid Rehousing is a time-limited permanent housing option that is eligible under the Continuum of Care (CoC) program and the Emergency Solutions Grant (ESG) program. Rapid Rehousing includes units leased by participants and subsidized for up to two years by the provider. Services are voluntary, except for monthly case management for some households.

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Rapid Rehousing programs could be reconfigured as transition-in-place Transitional Housing models.

A few considerations for such a transition:

- Please see [HUD's guidance](#) on participants' eligibility to transition from an RRH program to a Transitional Housing program.
- Current Rapid Rehousing rental calculations follow the CoC written standards. Transitional Housing rental calculations need to be aligned with [CFR 578.77](#).
- If the CoC-funded Transitional Housing line item is **leasing**, then the lease would transfer to the provider's name during the period of rental assistance then the provider would sublease the same unit back to the participant. The participant's portion of the rent would be written into the sub-lease. At the time of exit, the lease would transition back to the participant, and the participant would begin to pay full rent to the property owner/ manager per the terms of the lease.
- If the CoC-funded Transitional Housing line item is **rental assistance**, then the participant's lease would not change. At the end of the Transitional Housing term, the household would be responsible to pay full rent to the property owner/ manager per the terms of the lease.
- In either case, a service plan and agreement to adhere to the identified services and any work requirements would become an addendum to the lease or sublease or a contract between the program and the participant.

Permanent Supportive Housing (PSH) to Transitional Housing

The FY2026 NOFO significantly increases geographic competition by setting Tier 1 at 60% of the CoC's Annual Renewal Demand (ARD) and competing 40% among CoCs nationally, and makes a \$1.3 billion set-aside for new TH and SSO projects. PSH and RRH projects face heightened competition in this environment. Projects may consider activating their Moving On policies and community-based service partnerships for individuals with disabilities who may require permanent rental support. Projects may consider seeking non-Federal funding for existing projects.

Other options may include converting the programs to site-based Transitional Housing or transition-in-place housing with a **two-year time limit** that will allow some time to identify more permanent solutions.

Please see [HUD's guidance](#) on participants' eligibility to transition from a PSH program to a Transitional Housing program.

Scattered site PSH could be converted to transition-in-place Transitional Housing using the same processes as described for Rapid Rehousing. Providers will need to ensure that there is an appropriate plan for the participant's needs once the two-year time limit has expired.

Site-based PSH or PSH with leased units could be converted to site-based Transitional Housing. The provider-owned or provider-leased units could change their lease, sublease, or occupancy agreement with the participant to ensure that there is consensus on the services that will be

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provided and include individualized service plans targeting at least 20 hours per week of engagement in services, activities, or employment. Note that the FY2026 NOFO frames this as a project design and scoring criterion, not a separate documentation mandate. Providers should review their harm reduction practices to ensure compliance with the FY2026 NOFO's prohibition on operating drug injection sites, distributing drug paraphernalia, or knowingly permitting illicit drug use on property — while noting that participant sobriety is not required as a condition of assistance. The service plan will become a lease addendum or an addendum to the occupancy agreement or a contract between the program and the participant.

Strong Practices in Transitional Housing

Transitional Housing can be a supportive resource for homeless households, especially when:

- Provider and residents are **co-creating an individual services plan that helps the resident achieve their own goals.**
- Linkages to community services and resources (including health care) are strong, with priority access or on-site options that facilitate access for Transitional Housing residents
 - **Linkages made during Transitional Housing should be able to continue after the Transitional Housing ends.**
- Paid work, education, or volunteerism is resident-led and aligned with the tenant's goals for themselves, and may include activities that residents are already undertaking
 - Providers may wish to streamline documentation and provide supports to minimize the documentation effort for the resident
- Services and resources are designed to meet the need for complete self-sufficiency at the end of two years. **Strong partnerships with workforce programs or benefits access that increase household income are key for self-sufficiency after the Transitional Housing ends.**
- Programs use Evidence-Based Practices, such as **Trauma Informed Care and Critical Time Intervention.**
- Transitional Housing has been shown to work well for people who are leaving the criminal justice system, people who are exiting in-patient service for substance use disorder, youth, or families that have been involved in the child welfare system.

Current Permanent Supportive Housing or Rapid Rehousing Residents' Eligibility for Transitional Housing

It will be important to document each household's eligibility for Transitional Housing at entry based on the guidelines and eligibility criteria published by HUD in the 2026 NOFO or other resources. If a program chooses to convert a RRH project to a TH project using the Transition Project process, then the program will have one year to transition current participants to an appropriate solution.

2026 NOFO Threshold Criteria

Project Eligibility Threshold

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- HUD will review all projects to determine if they meet project eligibility threshold requirements on a pass/fail standard. If HUD determines the applicable standards are not met for a project, HUD will reject the project.
- HUD will consider any project requesting renewal funding as having met these requirements through its previously approved grant application unless HUD receives information to the contrary (e.g., monitoring findings, results from investigations by HUD's Office of Inspector General, the recipient routinely does not draw down funds from eLOCCS at least once per quarter, consistently late Annual Performance Report (APR) submissions).
- Approval of new and renewal projects is not a determination by HUD that a recipient is compliant with applicable fair housing and civil rights requirements.
- **Projects must meet the following criteria:**
 - Project applicants and potential subrecipients must meet the eligibility requirements of the CoC Program as described in the Act and the Rule and provide evidence of eligibility required in the application (e.g., nonprofit documentation).
 - Project applicants and subrecipients must demonstrate the financial and management capacity and experience to carry out the project as detailed in the project application and the capacity to administer federal funds. Demonstrating capacity may include a description of the applicant and subrecipient experience with similar projects and with successful administration of SHP, S+C, or CoC Program funds or other federal, state, local, or private resources.
 - The population to be served must meet program eligibility requirements as described in the Act, the Rule, and section III.G.11 of this NOFO.
 - Project applicants, except Collaborative Applicants that only receive awards for CoC Planning costs and, if applicable, UFA Costs, must agree to participate in a local HMIS system. However, in accordance with Section 407 of the Act, any victim service provider that is a recipient or subrecipient must not disclose, for purposes of HMIS, any personally identifying information about any client. Victim service providers must use a comparable database that meets the needs of the local HMIS.
 - Project applicants must submit the required certifications specified in this NOFO.
 - Project applicants must certify affirmatively to the following:
 - The project applicant **will not** engage in illegal racial discrimination. This is consistent with the requirements of 2 CFR 200.300(a).
 - The project applicant **will not** operate drug injection sites or "safe consumption sites" in violation of 21 U.S.C. 856(a)(1), knowingly permit the use or distribution of illicit drugs on property under their control in violation of 21 U.S.C. 856(a)(2), or knowingly distribute drug paraphernalia in violation of 21 U.S.C. 863. This is consistent with the objectives outlined in Section III.B above and is consistent with the requirements of 2 CFR 200.300(a). This certification is not a requirement that program participants must be sober in order to receive assistance, participate in treatment in order to receive assistance, or be evicted or exited from assistance for a first-time violation of a drug-related program policy or lease requirement.
 - HUD reserves the right to verify past performance and evaluate the eligibility of a project application submitted during the CoC Program Competition to ensure that it can adequately manage federal awards and comply with all applicable federal laws. HUD will not penalize applicants for complying with the terms and conditions of prior HUD grants.

Project Quality Threshold

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- HUD will review all new project applications to determine if they meet project quality threshold requirements.
- HUD will not award funds to a new project unless the project was created through reallocation, or the CoC has demonstrated to HUD's satisfaction that projects are evaluated and ranked based on the degree to which they improve the CoC's system performance.
- HUD will consider any project requesting renewal funding, including renewing YHDP and renewing Special NOFO projects, as having met project quality threshold requirements through its previously approved grant application unless HUD receives information to the contrary or if the renewal project has compliance issues which results in the project not operating in accordance with the Rule.
- **Projects must meet the following criteria:**
 - HUD will consider YHDP Replacement project applications including applications for new YHDP projects created through YHDP reallocation as having met project quality threshold requirements if the project application activities and costs are eligible under this NOFO. If a YHDP Replacement (including YHDP Reallocation) project application is not for activities and costs that are eligible under this NOFO, HUD will not reject the project under this project quality threshold, but HUD will require the project applicant to correct or revise information submitted after the final CoC Program award announcement but before executing the grant agreement.
 - HUD will review the UFA Costs submitted by the UFA designated Collaborative Applicant to ensure appropriate match and eligibility of costs requested.
 - HUD will assess all new project applications for the following minimum project eligibility, capacity, timeliness, and performance standards.
 - Project applicants must have satisfactory capacity, drawdowns, and performance for existing grant(s) funded under the CoC Program, as evidenced by timely reimbursement of subrecipients, regular drawdowns, and timely resolution of any monitoring findings; however, this does not apply to project applicants who have never received a CoC Program funded project;
 - For expansion project applications, project applicants must describe the part of the project that is being expanded and demonstrate the project is not replacing other funding sources;
 - Project applicants must demonstrate their ability to meet all timeliness standards per 24 CFR 578.85. HUD reserves the right to deny a funding request for a new project, if the request is made by an existing recipient that HUD finds to have significant issues related to capacity, performance, unresolved audit, or monitoring findings related to one or more existing grants; or does not routinely draw down funds from eLOCCS at least once per quarter. HUD also reserves the right to withdraw funds if no APR is submitted on the prior grant. HUD also reserves the right to reject a project if the recipient is not compliant with audits for large grant recipients (over \$1,000,000 or more) as required by 2 CFR 200.501.
- Additionally, for HUD to consider new projects as meeting project quality threshold, each new project must meet the following criteria as applicable. **If awarded, a recipient must meet all the criteria listed in the criteria column for its component.** New Transitional Housing projects must receive at least 6 out of 8 points available for this project type. New TH projects that do not receive at least 6 points will be rejected.
 - 2 points: Demonstrate that the project will **provide and/or partner with other organizations to provide eligible supportive services** that are necessary to assist

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program participants to obtain and maintain housing (i.e., case management, behavioral healthcare, employment training, etc.).

- 1 point: The applicant has **prior experience operating transitional housing or other projects that have successfully helped homeless individuals and families exit homelessness within 24 months or has a plan in place to ensure homeless individuals and families will exit homelessness within 24 months.**
- 1 point: The applicant has previously operated or currently operates transitional housing or another homelessness project, or **has a plan in place to ensure, that at least 50 percent of participants exit to a positive destination within 24 months and at least 50 percent of participants exit with employment income as reflected in HMIS or another data system** used by the applicant.
- 1 point: **The project will be supplemented with resources from other public or private sources**, that may include mainstream health, social, and employment programs such as Medicare, Medicaid, SSI, and SNAP.
- 2 points:
 - Describe how the proposed project will **assess the service needs of program participants and provide individualized services that will result in at least 20 hours per week of engagement in services, activities, or employment for all program participants** (e.g., case management, counseling, treatment, volunteering, work therapy, education, job training, community-building activities, etc.). Employment may contribute to the 20 hours per week. This criterion does not apply to participants over age 62 or who have a handicap as defined in 24 CFR 8.3 or a developmental disability as defined in 24 CFR 578.3.
 - Note: the project description provided in this criterion does not constitute a reporting or documentation requirement.
 - **Note: This definition of "handicap" is narrower than what the McKinney-Vento Act permits for a "homeless individual with a disability." It would exclude people with HIV/AIDS and many people whose primary diagnosis is a substance use disorder.**
 - Indicate that the proposed project will **create service plans for each program participant** that include:
 - the services to be provided, when and how often services will be provided, by whom all services will be provided;
 - program participant goals, strategies for achieving those goals, and target dates for achievement to focus on improved health and wellness, housing stability, and increased employment income leading to financial stability and self-sufficiency.
- 1 point: Demonstrate the **average cost per household served for the project is reasonable**, consistent with 24 CFR 200.404.