logo Image not found or type unknown

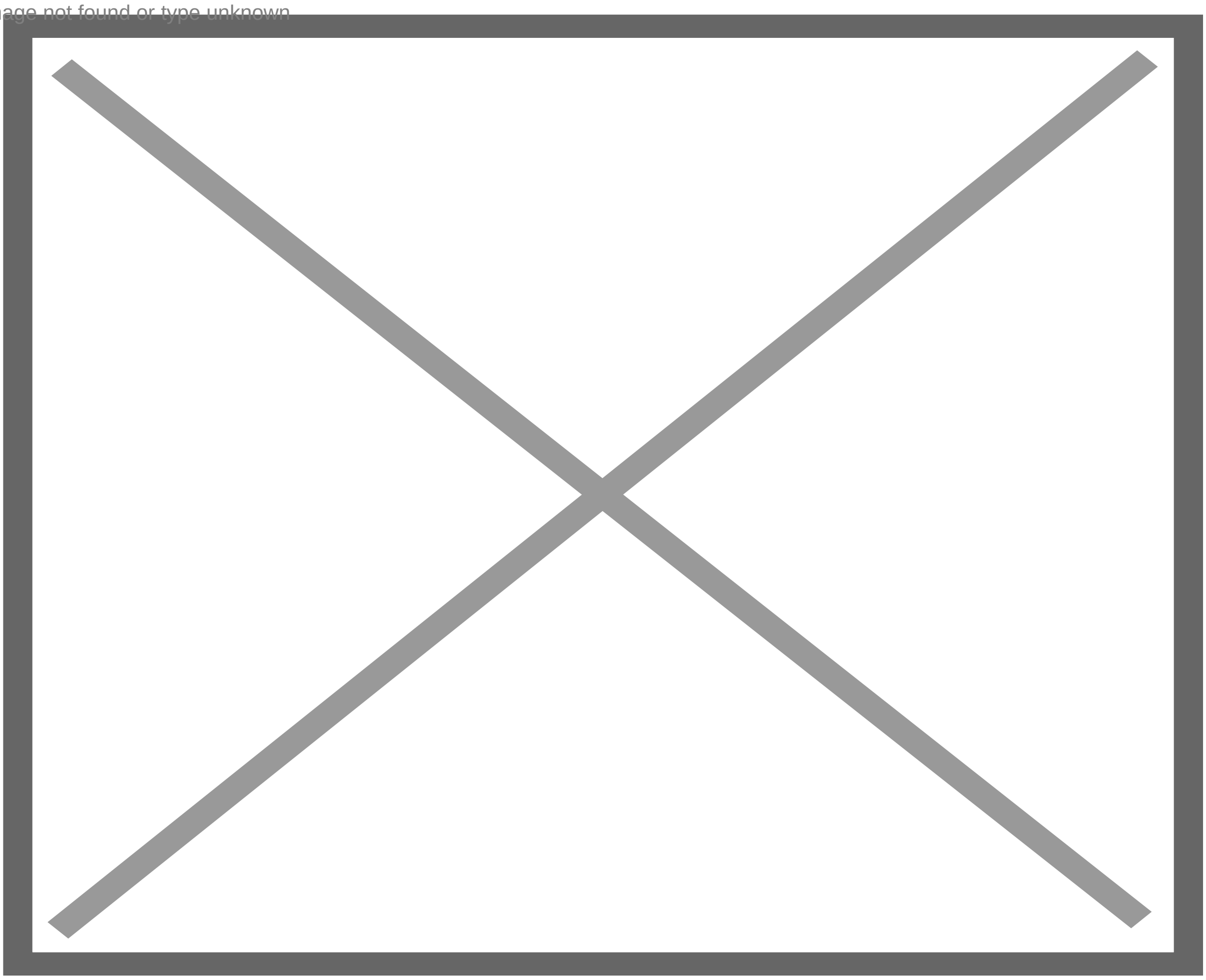
Federal Court Halts $4 Billion HUD Homelessness Grant Competition, Putting USVI Applications on Hold

USVI homelessness providers cannot currently apply for FY2026 Continuum of Care funding after a judge vacated HUD’s $4 billion-plus notice. The Aug. 26 deadline is gone, and applicants must wait while HUD decides whether to appeal or restart the process.

Federal / **Published On August 23, 2026 07:39 AM /**

Ernice Gilbert August 23, 2026

Image not found or type unknown



A federal court has vacated the U.S. Department of Housing and Urban Development's 2026 competition for more than $4 billion in homelessness funding, eliminating an Aug. 26 application deadline and placing the process on hold for communities nationwide, including the U.S. Virgin Islands.

HUD now says it is unable to accept applications under the fiscal year 2026 Continuum of Care and Youth Homelessness Demonstration Program funding notice following an Aug. 7 ruling by the U.S. District Court for the District of Rhode Island. The agency is considering its legal options, including an appeal to the First Circuit Court of Appeals.

The Virgin Islands is explicitly part of the affected competition through VI-500, the Virgin Islands Continuum of Care. HUD's fiscal year 2026 funding tables listed approximately $4.04 billion as available nationally and assigned VI-500 a preliminary pro rata need of about $1.47 million and estimated annual renewal demand of $168,095. Those figures represented competition and planning calculations, not guaranteed awards, and the underlying funding notice is no longer in force.

U.S. District Judge Mary McElroy set aside the entire 2026 funding notice after concluding that HUD violated the Administrative Procedure Act by failing to conduct a public notice-and-comment process required under the McKinney-Vento Homeless Assistance Act before restructuring key funding priorities.

The dispute centered on the Trump administration's effort to move federal homelessness policy away from the longstanding “Housing First” model, which generally prioritizes placing people into permanent housing without making treatment or participation in other services a prerequisite.

Under the 2026 funding notice, HUD created a $1.3 billion set-aside for new projects emphasizing transitional housing and participation in supportive services. The plaintiffs argued that the change would divert substantial funding that had previously been available for permanent housing.

The court did not rule that HUD is prohibited from changing its homelessness strategy. Instead, McElroy found that federal law required the department to first use a formal public notice-and-comment process before incentivizing approaches outside certain homelessness strategies expressly recognized in the statute. Because HUD had not completed that process, the judge concluded that the 2026 funding notice was procedurally invalid and had to be set aside.

McElroy declined to issue the permanent injunction sought by the plaintiffs. That leaves HUD free to pursue another funding notice containing similar policy priorities if the department follows the required process. The court also declined to decide the plaintiffs' remaining challenges after determining that the procedural violation alone required the existing notice to be vacated.

HUD has defended its approach. In its notice to applicants following the ruling, the department said it continues to believe the 2026 competition was lawful and described its proposed homelessness policies as focused on recovery, self-sufficiency and accountability for outcomes. The department said it will issue additional guidance as developments occur.

For the Virgin Islands, Continuum of Care funding has supported programs already operating in the territory.

HUD records show that VI-500 received $198,236 in fiscal year 2024 Continuum of Care awards. Of that amount, $92,955 supported two permanent supportive housing renewal projects operated by Meeting The Needs of Our Community, Inc., while another $70,433 supported the territory's Homeless Management Information System. The V.I. Housing Finance Authority received a $34,848 planning grant.

That history makes the policy dispute over permanent supportive housing directly relevant to the territory. It does not, however, establish how much the Virgin Islands would ultimately have received under the now-vacated 2026 competition or how individual local projects would have fared under HUD's proposed changes.

HUD's Continuum of Care program provides funding to nonprofit organizations, local governments and other eligible entities for housing and services aimed at people experiencing homelessness, including permanent supportive housing, rapid rehousing, transitional housing and related programs.

For now, the immediate consequence is procedural: the Aug. 26 deadline has been eliminated, HUD says it cannot accept applications under the vacated funding notice, and Virgin Islands applicants must wait for the department to announce what replaces the halted competition. No new application deadline has been announced.