

The Virgin Islands Consortium

HUD Moves Away From 'Housing First' Toward Transitional Model in Push for Better Results

As the Virgin Islands faces a growing unsheltered population, HUD is shifting toward transitional housing, treatment, recovery services and employment support, arguing that communities need stronger results from billions in federal homelessness funding.

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Sleeping pods inside St. Croix's Dignity Bus, an 18-bed mobile shelter, as HUD shifts away from "Housing First" toward transitional models, treatment and support services.

The U.S. Department of Housing and Urban Development is moving to fundamentally change what it rewards in federal homelessness programs, proposing new funding

advantages for communities that emphasize transitional housing, treatment and recovery services, sober housing, employment assistance and partnerships with law enforcement and first responders.

For the Virgin Islands, the shift could directly affect how the territory designs programs and competes for money through HUD's Continuum of Care program, which provides the principal stream of federal funding for local efforts addressing homelessness.

HUD published a 54-page notice Friday outlining activities it intends to favor through bonuses and other incentives in future Continuum of Care competitions. The department says it wants to move away from what it describes as an excessive federal reliance on "Housing First" — the longstanding approach of placing people into permanent housing without requiring sobriety, treatment or participation in services as a condition of receiving that housing.

Under the new direction, HUD wants to reward transitional housing paired with services aimed at employment and behavioral health; programs addressing substance-use disorders and mental illness; individualized service-participation agreements; drug-free and sober housing with treatment and recovery support; and coordination between homelessness programs, law enforcement and first responders. The department says these approaches can better address the underlying circumstances that keep some people homeless and help them move toward greater independence.

The implications are particularly relevant in the Virgin Islands because the territory's own recent Continuum of Care strategy has been closely connected to Housing First and permanent supportive housing.

In its fiscal year 2024 application to HUD, the Virgin Islands Continuum of Care reported that both of the housing projects it submitted in the competition had adopted the Housing First approach, meaning they lowered barriers to entry and prioritized rapid placement into permanent housing. The same application, however, also identified intensive services as essential to keeping vulnerable residents housed.

The local plan said the greatest contributor to people returning to homelessness was a lack of permanent supportive housing or intensive case-management services necessary to maintain stability. It called for more wraparound case management connecting residents with substance-abuse treatment, mental-health services and medication management — several of the service-based interventions HUD now says it wants to encourage.

HUD's detailed 2024 award report for the Virgin Islands lists \$198,236 for VI-500, the territory's Continuum of Care. Of that amount, \$92,955 went to two permanent supportive housing renewal projects operated by Meeting The Needs of Our Community, Inc., \$70,433 supported the territory's Homeless Management Information System, and \$34,848 went toward Continuum of Care planning.

The need remains substantial. The territory's January 2025 Point-in-Time Count identified 304 unsheltered people across the Virgin Islands — 185 on St. Thomas, 98 on St. Croix and 21 on St. John, up from 252 in the 2023 count. Local Continuum of Care officials cautioned that those figures did not include people temporarily staying with relatives or

friends and therefore likely understated the broader level of housing instability.

Friday's announcement is also the latest move in an ongoing legal battle over HUD's attempt to overhaul the more than \$4 billion federal homelessness grant program.

HUD initially introduced many of the changes through its fiscal year 2026 Continuum of Care funding competition, which made treatment, transitional housing and self-sufficiency much larger priorities. But on August 7, a federal judge in Rhode Island vacated that funding notice, finding that HUD could not establish certain major changes — including a set-aside for transitional housing and supportive-services projects — without first going through the legally required public notice-and-comment process.

The ruling halted the 2026 competition and its application deadline, including applications from the Virgin Islands. HUD has maintained that its original funding changes were lawful and has said it is considering an appeal.

Friday's notice now puts several of those policy choices through the public-comment process. HUD says that after considering comments, it will either revise its findings or adopt them for future Continuum of Care funding opportunities. Comments will be accepted for 30 days following publication.

Housing First advocates strongly dispute HUD's assessment of the approach. The National Alliance to End Homelessness, one of the organizations that successfully challenged the 2026 funding notice, argues that stable housing provides the foundation from which people can address addiction, mental health, employment and other problems, while supportive services remain available even though participation is not required as a condition of housing. The organization has warned that reducing federal support for permanent housing could return formerly homeless people to the streets.

HUD, however, argues that more than a decade of emphasizing permanent housing has left the federal program too narrowly focused and that communities should have greater flexibility to use transitional housing, treatment, employment assistance and recovery-oriented programs alongside permanent housing.

For the Virgin Islands, the emerging policy does not mean permanent supportive housing would disappear or become ineligible for federal funding. But it could change which projects receive an advantage when limited federal dollars are awarded, potentially requiring VI-500 and local service providers to reconsider how future applications balance permanent housing with treatment, case management, transitional programs and other services.

That distinction could become increasingly important as the territory attempts to address a homeless population that local officials say has grown while federal funding rules themselves remain in flux.