

FY26 Funding Priorities & Changes

DHCD Funding Priorities for FY26

- DHCD encourages CoCs and LHCs to include costs for planning and coordination staff in the HSP budget if needed. Having sufficient staff to administer HMIS, monitor performance, provide technical assistance, develop strategic plans, operate Coordinated Entry, and coordinate the CoC activities is crucial to achieving maximum CoC performance.
- To improve application scores, CoCs/LHCs should:
 1. Demonstrate that they conducted a transparent and competitive project selection process using a performance-based scoring method, **AND**
 2. Propose a budget that:
 - Allocates 50% of the total funding request towards RRH and PSH projects, **OR**
 - Allocates a total amount of funding for RRH and PSH projects that is 10% higher than the prior FY24 HSP budget for RRH and PSH projects
- DHCD encourages proposals for CoCs/LHCs to use HSP funds for systems transformation projects such as:
 - Conversion of emergency or transitional shelters into permanent supportive housing
 - Integrating/embedding workforce development into RRH programs through MOUs with workforce development programs or having dedicated employment specialists on staff
 - New medical respite/special needs shelters
 - Substantial or innovative changes to staffing or program models

Ongoing SFY26 Initiatives

- HSP has consolidated funding sources internally and will no longer have minimums and maximums for case management, rental assistance, and shelter. This will maximize flexibility and braiding of HSP with other CoC/LHC funding sources.
- Project-based leasing, operating, and rental assistance costs are now allowable line items for permanent supportive housing projects. Tenant-based rental assistance for PSH is not eligible due to potential annual changes in state appropriations for HSP.
- Direct cash transfer programs for highly vulnerable households are now eligible:
 1. Unaccompanied youth
 2. Returning citizens from incarceration
 3. Pregnant or parents/caregivers/guardians with children under 5
 4. Other subpopulations with high rental housing barriers
- Flex funds for landlord incentives, removal of tenant housing barriers, and other essential costs are now eligible under this flexible expense line item. These funds are intended to mitigate unique barriers in progress towards housing stability consistent with client-centered best practices. Projects should establish policies that ensure these funds are reasonable in addressing barriers in stability, accessible for all clients, and documented. For example, individuals matched to a Housing Choice Voucher may have debt owed to the Public Housing Authority which will prevent them from being approved until resolved –

A minimum of \$1 million will be allocated specifically for projects dedicated to serving unaccompanied youth. These funds will be largely aligned with the priorities, activities, and requirements included in the Ending Youth Homelessness Act of 2018.

SFY2026 HSP grant agreements will have an 18-month performance period – July 1, 2025 through December 31, 2026. Grantees should plan to expend all funds within the performance period – extensions will only be granted for extenuating circumstances.

Both new and renewal projects will be considered for funding. DHCD will evaluate both the CoC's overall application and individual project performance. Individual projects may be awarded funds at their full request or a reduced amount, or DHCD may decline to fund a specific project.