What is Transitional Housing?

In light of the current environment for funding and federal priorities, Continuums of Care (CoCs) and homeless services providers are reconsidering transitional housing (TH) as an intervention for people experiencing homelessness. This document will help communities understand how to apply the lessons learned from TH models of the past to create more effective interventions today, as part of an overall system approach to solving homelessness.

Transitional Housing: What it is, what it is not, and how to make it work in today's climate

Historically, many (but not all) TH programs operated as high-barrier, service-heavy models–often using a one-size-fits-all approach that allowed little choice among people served. This model required people to conform to the program rather than ensuring the program could meet the unique needs of their participants. As a result of high-barrier program design, outcomes included high per-person costs, increased lengths of stay for people experiencing homelessness, and high vacancy rates as people struggled to meet program entry requirements or comply with stringent and unnecessary program rules.

As interest in temporary housing grows again, there is a narrow but important window to apply what we've learned over time. Without clear guardrails, we risk returning to models that are more resource-intensive without improving outcomes or system performance.

TH is typically more costly to operate, making it critical for programs to have intentional design, clear targeting, and a focus on efficiency. It tends to perform best when used for specific populations (e.g., youth, people seeking recovery, survivors of domestic violence) and when it is clearly structured to support movement to permanent housing.

It is also important to ground this in regulatory reality: **people in TH are still considered homeless.** Entry into TH is not an endpoint; it is a temporary point along the pathway, and programs must be designed with that urgency and purpose in mind.

This creates a clear charge: TH should be low-barrier, person-centered, and explicitly housing-focused. Services should be available and responsive, but not a condition for accessing the program or being exited from it. Strong transition planning must begin at entry, reinforcing that TH is not someone's permanent housing. When done well, TH functions as a short-term, purposeful intervention that stabilizes people and accelerates exits to permanent housing, aligned with broader system goals and the intent of the CoC program statute [24 CFR § 578.3 & 24 CFR § 578.37(a)(2)].

What TH is (Per Statute)	What TH is not	How to make it more effective and person-centered
Temporary housing with supportive services designed to help people move from homelessness to permanent housing (generally up to 24 months).	Not permanent housing and not intended for indefinite stays.	Treat TH as short-term crisis housing, not a destination. Begin permanent housing search upon entry and work the plan throughout the stay until sustainable permanent housing is identified.
Housing with a lease, sublease, or occupancy agreement (minimum one month, automatically renewable).	Not emergency shelter or permanent housing	Use clear, tenant-facing agreements. Ensure participants understand rights, responsibilities, and landlord-tenant protections.
A means to support an individual's (or household's) transition into permanent housing.	Not a means for participants to prove their housing readiness.	Never require waiting periods or achievement of programmatic milestones prior to starting housing efforts. Start working on housing exit plans immediately upon program entry.
A CoC program component that should align with system policies and prioritization.	Not intended to be operated outside of the larger homeless response system's goal to end homelessness at the community level. Not separate from coordinated entry processes and the continuum of other programs supporting housing exits out of homelessness.	Use Coordinated Entry (CES) for placement. Align TH with system goals, ensure transparent and fair prioritization, and lead with participant choice and informed decision-making.
Includes supportive services to help people obtain and maintain housing.	Facilitate engagement in services that the participant chooses for their individualized needs and housing plan.	Use progressive engagement. Start with minimal services and increase only as needed. Keep services client-centered, voluntary, and culturally responsive wherever possible.
Intended to support movement to and stability in permanent housing.	Not a program where success is defined by completion or length of stay.	Measure success by increased exits to permanent housing, reduced length of homelessness, and sustained housing stability.
May allow stays up to 24 months, with limited exceptions.	Not a model that should normalize long stays, function as one-size-fits-all, or rely on "graduation" from a set of program requirements. TH should end when someone secures permanent housing that meets their needs and that they can maintain long term.	Track system flow: reduced length of stay, faster time to permanent housing, and reduced returns to homelessness. Program design and services should align to this goal—prioritizing housing problem-solving, active housing navigation (landlord engagement, unit acquisition, risk mitigation, shared housing, family reunification), and barrier reduction (credit, legal, etc.). Ensure supports extend beyond exit through warm handoffs and continued access to services that reinforce long-term housing stability.

Reminder: CoC rental assistance, including project-based rental assistance (PBRA), is an eligible cost for TH, and a recipient or subrecipient is not automatically prohibited from owning the building where PBRA is used. However, if the recipient is a nonprofit, it cannot directly administer rental assistance for a TH project under current rules and would need to contract or subgrant with an eligible entity, such as a unit of local government, state government, or public housing agency.

HUD also distinguishes rental assistance from leasing: master leasing is leasing, and CoC leasing funds cannot be used for structures owned by the recipient, subrecipient, parent organization, or related organization. That ownership restriction applies to leasing funds, but it does not automatically apply to PBRA. Even where PBRA is used in a recipient-owned building, conflict-of-interest protections still apply, so the owner-recipient cannot conduct rent reasonableness determinations or housing quality inspections for its own property; those functions must be handled by an independent entity.

Key considerations for communities

Even within this structure, the effectiveness of TH depends on how it is implemented:

- Use quantitative and qualitative data to identify which populations benefit most from TH as a short-term, strategic intervention.
- Select the appropriate model (scattered site or single site) based on local housing market conditions and access.
- Explore transition-in-place options to minimize disruption and support continuity at the point of exit.
- Establish early and continuous connections to permanent housing pathways from the outset of enrollment.
- Anchor all efforts in housing-focused, person-centered practices that prioritize rapid stabilization.
- Design services around housing outcomes and ensure the system-level supports needed for successful exits are in place.
  - This includes robust landlord engagement (relationship building, unit acquisition, risk mitigation, and incentives), flexible housing problem-solving resources, and clear, accessible pathways to permanent housing. Without these supports, TH will struggle to achieve timely and sustainable exits.
- Take care in communication efforts to explicitly message the difference between permanent housing and TH, considering that the term "transitional housing" encourages conflation of this temporary/crisis intervention with permanent solutions to homelessness.
- Consider the system, and statutes around eligibility regarding moving from PH to TH. See HUD's AAQ* for more information.
- Support participant choice and agency in determining placements.
- Invest in ongoing quality improvement process to continually refine program models and services delivered.

Five Examples of Nonprofit TH Providers

1. Nonprofit-owned TH building with PBRA

A nonprofit owns a Transitional Housing building and wants to attach CoC project-based rental assistance to specific units.

This may be allowable. PBRA is rental assistance, not leasing, and a nonprofit is not automatically prohibited from owning the building where PBRA is used.

However, the nonprofit cannot directly administer the TH rental assistance. It must contract or subgrant with an eligible entity, such as a PHA, unit of local government, or state agency. An independent entity must also handle inspections and rent reasonableness.

2. Nonprofit-owned building with CoC leasing funds

A nonprofit owns a building and wants to use CoC leasing funds to lease the building from itself for a TH project.

This is not allowed. Master leasing is leasing, and CoC leasing funds cannot be used for structures owned by the recipient, subrecipient, parent organization, or related organization.

However, ownership of the building does not prevent the project from using other eligible CoC cost categories. For example, the project may use operations funds to support eligible building operating costs (such as utilities, maintenance, insurance, and security). The project could also explore project-based rental assistance (PBRA), although if the recipient is a nonprofit, the rental assistance must be administered by an eligible entity, such as a unit of local government, state government, or public housing agency.

3. Nonprofit master leases from an unrelated landlord

A nonprofit master leases units from an unrelated private landlord and uses them for a Transitional Housing project.

This may be allowable because the building is not owned by the nonprofit, its parent organization, or a related organization.

In this model, the nonprofit leases the units from the landlord and provides participants with a **sublease or other occupancy arrangement**, depending on the project design and applicable requirements. This differs from PBRA because the CoC funds are paying for the lease of the units, rather than providing rental assistance tied to specific units.

4. Nonprofit provides services while a PHA administers PBRA

A nonprofit owns or operates the TH property and provides supportive services, while a PHA administers the PBRA.

This may be allowable, and may provide a cleaner structure for providers to rely on. The nonprofit focuses on housing operations and services, while the PHA handles rental assistance administration.

Because the nonprofit owns or operates the property, another independent entity should conduct rent reasonableness and housing quality inspections.

<u>Simple Distinction</u>

PBRA/rental assistance may be used in a nonprofit-owned TH building, but the nonprofit cannot directly administer TH rental assistance.

Leasing/master leasing cannot be used to lease a building owned by the nonprofit, its parent organization, or a related organization.

PBRA assistance is tied to units. Leasing is paying to lease units or a building.

5. Operations Funds

For a Continuum of Care (CoC) Program Transitional Housing project, operations funds are intended to support the day-to-day operation of the housing facility itself, not rental assistance, leasing, or supportive services.

Eligible operations costs generally include:

- Maintenance and repair of the building
- Property insurance
- Utilities (electricity, gas, water, sewer, trash)
- Furniture and equipment needed to operate the project
- Security for the facility
- Fuel for project operations (when applicable)
- Supplies necessary for operating the housing
- Equipment maintenance
- Hotel or motel costs only in limited circumstances permitted under current CoC regulations and HUD guidance

Operations funds **cannot** be used for:

- Rent or rental assistance payments (those are separate eligible cost categories)
- Leasing costs (a separate budget line item)
- Supportive services (e.g., case management, transportation, employment services)
- Administrative costs (unless budgeted under the administration category)

For Transitional Housing, operations funding is most commonly used for **site-based or congregate facilities** to cover the costs of keeping the building safe, functional, and habitable for residents.

A helpful way to think about it is:

Budget Category	Primary Purpose
Operations	Runs the building (utilities, maintenance, insurance, security, supplies)
Leasing	Pays for the lease of the property
Rental Assistance	Pays participants' rent in eligible units
Supportive Services	Funds services such as case management, employment, transportation, childcare
HMIS	Supports HMIS participation and data entry
Administration	Covers grant administration costs

This distinction is especially important as communities consider new TH models: operations dollars support the housing environment, while other CoC budget categories support the people living there or the cost of the housing itself.

Conclusion

The current funding and policy environment has forced some communities to rapidly reconsider TH's role within their homelessness systems. These decisions require a clear-eyed view of TH's role, its operational models, and an awareness of the model's historical shortcomings. By focusing on making TH a conduit to the ultimate goal of connecting people to permanent housing, reducing operational inefficiencies, keeping program components person centered, and understanding the nuances between different TH operational models, communities will be able to best evaluate its potential for their needs.