Community Preservation Corporation

Understanding the Impact of the "21st Century ROAD to Housing Act"

Overview

The "21st Century ROAD to Housing Act" (ROAD) became law on July 11 after months of negotiations between the Senate, the House, and the White House. This law is the largest federal housing bill in decades and passed Congress with strong bipartisan support. It is a signal that Congress is dedicated to prioritizing the housing crisis, and CPC will be working closely with industry partners to support the law's long-term implementation.

ROAD contains over forty different provisions that aim to tackle the nationwide housing shortage from a variety of angles. Broadly, the provisions included fall into four themes that matter for affordable housing developers and owner/operators: expanding access to capital, reducing regulatory delays, strengthening key federal housing programs, and creating new opportunities to preserve and produce housing.

Expanding Access to Capital

One of ROAD's major priorities is providing easier access to affordable housing financing, which it approaches in a variety of ways. Most significantly, it raises the public welfare investment cap from 15 percent to 20 percent of capital and surplus for banks supervised by the Office of the Comptroller of the Currency and the Federal Reserve. This change is meant to enhance banks' capacity to make private investments in affordable housing, allowing them, for example, to invest more in LIHTC.

ROAD also directs FHA to increase multifamily loan limits to better match housing market costs and expand access to affordable financing. In higher cost-markets, higher loan limits could improve project feasibility and expand access to financing.

To encourage innovation and supply growth, HUD is authorized to establish a 7-year innovation fund that would provide communities with flexible funding to support housing production.

Reflecting a growing interest in alternative construction methods as a tool for addressing housing shortages, one of ROAD's focuses is promoting the financing of manufactured housing. ROAD includes requirements for FHA to assess barriers to financing modular housing, HUD to consider modifying the financing draw schedule, and federal agencies to explore ways to expand financing options for factory-built homes.

Additional financing-related provisions include a pilot program for small-dollar mortgages, a study of regulatory barriers affecting smaller loans, and expanded eligibility for both licensed and credentialed appraisers to conduct FHA-related appraisals. ROAD also includes nine provisions meant to strengthen the role community banks play in financing affordable housing, which can lead to increased local lending capacity.

Reducing Regulatory Delays

Many of the ROAD's provisions focus on streamlining regulations that are barriers to affordable housing development.

ROAD right-sizes National Environmental Policy Act (NEPA) reviews for certain small-scale and infill housing projects, which would simplify the process and get projects to construction faster. Under ROAD, most Rural Housing Service-funded projects involving the construction or modification of residential housing located on an infill site will now be exempted from NEPA review.

The legislation also streamlines multifamily residential property inspections by allowing owners to satisfy Housing Choice Voucher (HCV) inspection requirements using inspections performed within the previous year under other federal housing programs. This efficiency will hopefully reduce HUD inspection delays and encourage landlord participation in the HCV program.

Strengthening Existing Affordable Housing Programs

ROAD reauthorizes and modernizes several existing federal housing programs, including:

- The Rental Assistance Demonstration program is made permanent, and the conversion cap is raised from 455,000 to 555,000. Tenant protections are also codified into law. The HOME Investment Partnerships Program is reauthorized and reformed to make critical updates, improve program administration, and facilitate more affordable housing construction. ROAD also allows HOME funds to be used to help convert vacant and abandoned properties into housing, creating new opportunities for adaptive reuse and neighborhood revitalization.

- ROAD includes important preservation measures for rural housing as well. By decoupling rental assistance from maturing USDA Rural Housing Service mortgages, the legislation helps preserve affordable housing access for hundreds of thousands of rural households.

- ROAD reauthorizes CDBG-DR funding for three years and establishes an Office of Disaster Management and Resiliency to improve program coordination and oversight.

Supporting Housing Preservation and New Supply

Beyond financing and program reforms, ROAD creates new tools to preserve existing housing and encourage additional housing production.

ROAD establishes new grant and forgivable loan opportunities to support whole-home repairs and address health and safety hazards in aging housing stock. These resources could help preserve existing affordable housing and prevent displacement.

Several existing grant programs that take on preservation and new construction are also expanded. HUD may provide additional consideration in competitive grant applications for applicants located in, or primarily serving, designated Opportunity Zones, and new construction is added as an eligible use of CDBG funding.

ROAD further authorizes HUD's PRICE program for seven years, continuing support for the preservation and improvement of manufactured housing communities.

Where the Rubber Hits the ROAD: What's Next

The "21st Century ROAD to Housing Act" represents a significant federal commitment to expanding housing supply and preserving affordable homes. To actualize these commitments will require further implementation by HUD and other federal agencies, as well as appropriations by Congress. The legislation's overall direction is clear - reduce development barriers, expand access to capital, strengthen proven housing programs, and support new housing production.

CPC will continue monitoring agency guidance and implementation efforts to help our partners understand what these changes mean in practice and where new opportunities may emerge.

Additional Resources

NAAHL/CAHL Road Map for Implementing ROAD

Section-by-Section Summary of ROAD

NCSHA Impact Series

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