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21st Century ROAD to Housing Act: What it Means for State & Local Governments

In our December 2025 Issuer Insight, we highlighted the bipartisan ROAD to Housing Act as a potential turning point in addressing the national housing crisis. That legislation has since evolved into the 21st Century ROAD to Housing Act, which became law on July 11, 2026[1] — the first comprehensive federal housing package to pass Congress in decades.[2] Approved with overwhelming bipartisan support,[3] the law carries implications for state and local governments navigating affordable housing finance, community development, and long-range capital planning.

What the Law Does

The Act merges provisions drawn from the House's Housing for the 21st Century Act (H.R. 6644) and the Senate's ROAD to Housing Act, bundling them into a broad package built around several core themes:[1]

- Zoning Guidance Without Preemption: Guides the U.S. Department of Housing and Urban Development (HUD) to publish zoning best practices for state and local governments — but critically, does not preempt local land-use or zoning authority. Zoning decisions remain local.
- Environmental Review Reform: Streamlines or waives National Environmental Policy Act (NEPA) requirements for small-scale infill housing, adaptive reuse projects, and development funded by the Rural Housing Service on infill sites — reducing costly project delays.
- Housing Supply Innovation Fund: Establishes a competitive Innovation Fund providing $200 million annually from FY 2027 through FY 2031, with awards directed to jurisdictions that can document real gains in housing supply.
- Commercial-to-Residential Conversion Grants: Launches pilot grants of $1M–$10M that help municipalities repurpose vacant commercial and industrial properties into affordable housing, with priority given to distressed communities and Opportunity Zones.
- Expanded Bank Investment Authority: Raises the bank public welfare investment (PWI) cap from 15% to 20%, opening the door for banks to increase investments in affordable housing and community development.
- Grant Flexibility: Provides greater flexibility for Community Development Block Grants (CDBG) and HOME Investment Partnerships Program (HOME) grants, including tying some CDBG allocations to housing production performance — with bonuses for high performers and modest reductions for lagging grantees. Permanently authorizes the CDBG Disaster Recovery program and establishes a new HUD Office of Disaster Management and Resiliency.
- Institutional Investor Restrictions: Restricts large institutional investors (owning 350+ single-family homes) from purchasing additional single-family properties, aiming to preserve homeownership opportunities.

[1] 21st Century ROAD to Housing Act, Pub. L. No. 119–101, 140 Stat. 846 (2026). https://www.congress.gov/bill/119th-congress/house-bill/6644/text.

[2] "The Facts: The 21St Century ROAD to Housing Act Cuts Red Tape, Builds More Homes, and Restores Accountability | United States Committee on Banking, Housing, and Urban Affairs." 2026. *Senate.Gov*. https://www.banking.senate.gov/newsroom/majority/the-facts-the-21st-century-road-to-housing-act-cuts-red-tape-builds-more-homes-and-restores-accountability.

[3] 21st Century ROAD to Housing Act, Pub. L. No. 119–101, 140 Stat. 846. Actions. (2026). https://www.congress.gov/bill/119th-congress/house-bill/6644/all-actions?s=1&r=1&hl=hr+6644

Considerations for State and Local Governments

For state and local governments, the Act creates both new opportunities and important planning considerations:

- **New Federal Grant Opportunities:** The Innovation Fund and conversion grant programs represent direct federal capital available to municipalities. Communities should consider assessing their eligibility, tracking HUD rulemaking (anticipated over the next 12–18 months), and positioning themselves to compete for grants.
- **Strengthened Access to Private Capital:** The expanded PWI cap may incentivize local banks and Community Development Financial Institution to increase investment in affordable housing projects financed through tax-exempt bonds, potentially broadening the investor base for housing authority debt.
- **Improved Project Economics:** NEPA reforms may reduce holding costs and timeline risk for federally assisted housing developments — potentially improving the creditworthiness of affordable housing projects and the viability of mixed-finance structures.
- **CDBG Performance Linkage:** By tying a portion of CDBG funding to housing production, the law introduces a measure of performance accountability. Jurisdictions that proactively align housing strategies with production metrics may stand to benefit, while those that lag could face modest funding reductions.
- **Disaster Recovery Infrastructure:** Permanent authorization of CDBG-DR, along with a dedicated HUD disaster management office may strengthen federal disaster recovery infrastructure — relevant to housing authorities and municipalities in regions with elevated climate and weather-related risk.

Looking Ahead

Implementation will take time. Federal agencies will likely need 12–18 months to stand up new programs, issue guidance, and open grant competitions. State and local governments that begin planning now — aligning housing production strategies, updating capital improvement plans, and engaging HUD proactively — will be better positioned to capture new resources as they become available.

The 21st Century ROAD to Housing Act is a meaningful federal commitment, but housing supply challenges are ultimately addressed at the local level. PFM stands ready to help government agencies evaluate funding opportunities, structure housing finance strategies, and navigate the evolving federal policy landscape.

Want to learn how PFM can assist you?

Contact us through our website: pfm.com/contact-us.