21st Century ROAD to Housing Act: Key Community Development and Affordable Housing Provisions; Implementation; Takeaways for Grantees

The 21st Century ROAD to Housing Act, enacted on July 11, 2026, makes significant changes to federal community development and affordable housing programs. The Act expands eligible uses of CDBG and HOME funds, reduces administrative barriers, creates new competitive grant opportunities, and directs HUD to advance zoning, land-use, and environmental review reforms intended to increase housing supply.

CDBG Program

The Act includes three significant CDBG provisions:

- **Section 104: Publicly Available Land Database.** Beginning with FY27 grants, communities must establish a publicly available database with information about undeveloped land owned by the jurisdiction or state. This requirement is intended to increase transparency around publicly owned land that may be suitable for future housing, community development, or other public purposes.
- **Section 204: Affordable Housing Construction.** Beginning with FY27 grants, CDBG grantees may use up to 20% of their annual allocation for new affordable housing construction. Housing assisted under this authority must meet HOME program affordability standards.
- **Section 213: Build Now Act.** Beginning with FY30 grants, CDBG entitlement allocations may increase or decrease based on each grantee's housing growth improvement rate, which will compare local housing growth against a national benchmark. Grantees that fall below the national rate could see CDBG allocations reduced by up to 10% annually, while grantees with stronger housing growth performance may receive increased allocations. Because this provision links future CDBG funding to housing production outcomes, grantees should closely review HUD's methodology and assess local housing development conditions before the provision takes effect in 2029. This provision does not apply to communities with high poverty rates, low property values, or high vacancy rates; communities located in a major disaster area; or communities that lack legal authority to enact or update zoning and permitting ordinances. States are also excluded from this requirement.

Implementation. HUD is developing interim guidance for Sections 104 and 204, which is expected later this year. *Grantees should not revise program documents until HUD issues formal implementation guidance.*

For Section 213, HUD will publish a Federal Register Notice on September 9, 2026, identifying each grantee's housing growth improvement rate and explaining the methodology. Section 213 does not take effect until 2029.

HOME Program

Section 501 of the ROAD Act makes substantial HOME program reforms designed to increase flexibility, simplify administration, and expand access to homeownership assistance.

Homeownership Reforms:

- Raises the HOME purchase price limit from 95% to 110% of the area's average purchase price.
- Increases the income limit for HOME homeownership assistance from 80% to 100% of area median income.
- Allows HOME-assisted homeownership units to remain affordable when a military service member must sell the home before the affordability period ends.
- Allows a HOME-assisted homeownership unit to remain affordable if the owner dies during the affordability period, even if the heir or beneficiary who inherits the property would not otherwise qualify for HOME assistance.

Section 3 Streamlining. For participating jurisdictions that receive $3 million or less in HOME funds, Section 3 requirements will apply only to HOME-assisted properties with 50 or more units. This change narrows the circumstances in which Section 3 compliance is required, reducing administrative burden for smaller participating jurisdictions and smaller HOME-assisted projects.

HOME repayment waiver. HUD may waive repayment of HOME funds during the affordability period when circumstances beyond the control of the grantee or property owner make the property financially unviable. This relief is intended to address situations where unexpected economic conditions undermine the project's ability to continue operating as planned.

Commitment Deadline. The Act permanently eliminates the 24-month HOME commitment deadline, giving participating jurisdictions greater flexibility to plan and use HOME funds.

CHDO Set-Aside Funds. Unspent CHDO set-aside funds may remain in a grantee's HOME account instead of being recaptured, and grantees may use those funds for other HOME-eligible activities. This change gives participating jurisdictions more flexibility to redirect unused CHDO funds to eligible housing activities when CHDO projects are delayed, unavailable, or unable to move forward.

Environmental Review. Certain HOME projects, including infill construction, acquisition, rehabilitation, and new construction projects with 15 or fewer units, are categorically excluded from environmental review. This change is intended to streamline approval for smaller or less complex HOME-assisted projects by reducing review requirements that can delay development timelines.

Small Properties. Affordable housing properties with four or fewer units are no longer subject to HOME tenant selection requirements. This change simplifies administration for small-scale HOME-assisted properties.

Build America, Buy America Act (BABA) Review. HUD must review the impact of BABA requirements on the HOME program within 180 days of enactment and issue guidance within 90 days after completing that review.

Participating Jurisdiction Threshold. The formula allocation threshold rises from $500,000 to $750,000. Existing grantees are grandfathered, and smaller jurisdictions may continue to participate through HOME consortia.

Implementation. HOME program changes will take effect with FY27 grants. HUD is awaiting legal guidance from its Office of General Counsel before issuing interim guidance on how these reforms should be implemented. *Until HUD provides that direction, grantees should not revise program documents.*

Emergency Solutions Grants

The Act allows state and local ESG recipients to request waivers of the 60% cap on emergency shelter and street outreach expenditures from 2027 through 2030. *HUD is developing interim guidance, and grantees should not revise program documents until that guidance is issued.*

New Competitive Grant Programs

The Act creates several competitive grant programs to expand affordable housing supply, support local planning and implementation, repair existing homes, and convert vacant or abandoned properties into housing. Most of these programs are temporary pilots or five-year initiatives and will require congressional appropriations before funding becomes available.

Innovation Fund. Establishes a five-year competitive grant program that authorizes $200 million annually, subject to congressional appropriations. The program would provide funding to CDBG entitlement communities and tribal communities for affordable housing and community development activities, giving eligible applicants another potential source of flexible resources to support local housing supply and neighborhood revitalization efforts.

Planning and Implementation Grant Program. Establishes a five-year HUD pilot grant program, subject to congressional appropriations, for states, local governments, and regional planning agencies. The program is intended to help eligible applicants develop and carry out affordable housing plans, including strategies to address local housing shortages, improve planning capacity, and support implementation of housing supply reforms.

Revitalizing Empty Structures into Desirable Environments (RESIDE) Grant Program. Authorizes a five-year competitive grant program within the HOME program to help communities convert vacant or abandoned properties, such as warehouses and strip malls, into affordable housing. The program is intended to support adaptive reuse projects that bring underused properties back into productive use, but funding will depend on future congressional appropriations.

Whole Homes Repair Pilot Program. Authorizes a five-year competitive pilot program, subject to congressional appropriations, to provide forgivable loans and grants for critical home repairs in owner-occupied and rental housing. The program is intended to help preserve existing housing, improve habitability and safety, and support lower-income households or property owners who may not otherwise be able to afford necessary repairs. States, local governments, and nonprofit organizations are eligible applicants.

Other Housing Supply and Review Reforms

Zoning and Land Use. HUD must identify best practices and develop frameworks to help states and localities update zoning and land-use policies that limit housing supply. These resources are intended to support local reforms that make it easier to approve, permit, and build a broader range of housing types in communities facing affordability or supply challenges.

Key Takeaways for Grantees

- Overall, the Act gives grantees new tools to support affordable housing, homeownership, rehabilitation, planning, and local housing supply reforms.
- The HOME program changes represent the most extensive reforms to the program in decades, giving participating jurisdictions more flexibility to support homeownership, manage existing funds, and reduce administrative burdens.
- The Act also allows communities to use a portion of CDBG funds for affordable housing construction, but those projects must meet HOME affordability standards. CDBG grantees that are unfamiliar with those standards should begin reviewing them now.
- The Build Now Act creates a longer-term funding risk for some grantees because future CDBG allocations may depend, in part, on local housing growth performance.
- The new competitive grant programs could provide local and state governments with funding to expand affordable housing supply, strengthen local planning, support home repairs, and convert vacant or underused properties into housing; however, most are temporary initiatives and will require future congressional appropriations.
- Grantees should monitor HUD guidance closely and wait for formal direction before revising program documents or making implementation changes.

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