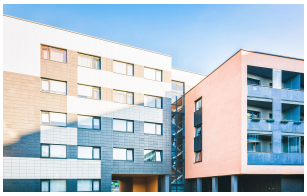

21st Century ROAD to Housing Act: Major Changes Ahead for Multifamily Sector

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After clearing the Senate, the 21st Century ROAD to Housing Act (the "Act") continues to be debated in the House, signaling potential near-term changes for the multifamily sector. The Act seeks to ease administrative and regulatory burdens on the financing and construction of new multifamily housing units, but it would also make changes to existing laws which affect developers, investors, lenders, and other key stakeholders in affordable housing transactions.

The Act, passed by the Senate on March 12, 2026, with a strong bipartisan vote (89-10) and now back under review in the House, uses a multi-pronged approach to encourage additional production of market rate and affordable multifamily housing developments. These strategies include modifying existing federal housing programs administered by the Department of Housing and Urban Development (HUD), streamlining environmental reviews, and empowering state, county, and local governments to mitigate or remove barriers to housing production. The Act would also direct the Department of Veteran Affairs (VA) to modify its income eligibility calculations to avoid penalizing veterans most needing access to supportive housing programs.

Changes to Existing HUD Programs

The Act would make changes to several HUD-administered programs, including the HOME Investment Partnerships program, the Community Development Block Grant (CDBG) program, and the Housing Choice Voucher (HCV) program.

HOME Program

- The Act would codify that HOME rent limits do not apply to rental assistance or subsidy payments made by the HCV

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program.

- It would also allow HOME funds to be used for housing-related infrastructure improvements, including the installation or repair of water and sewer lines, sidewalks, roads, and utility connections.

CDBG Program

- The Act would modify Section 105(a) of the Housing and Community Development (HCD) Act of 1974 to permit new construction of affordable housing with CDBG funds appropriated after the enactment of the Act, to the extent such construction does not exceed 20% of the CDBG funds allocated to each recipient. Previously, under HUD's program rules, CDBG funds could be used for site acquisition and rehabilitation of affordable rental housing but generally could not be used for new construction, with a few limited exceptions, since new housing construction was not, itself, an eligible activity listed in Section 105(a) of the HCD Act.

HCV Program

- The Act would amend the HCV program rules to allow apartment units that are financed or assisted through certain federal housing programs, such as the federal Low-Income Housing Tax Credit (LIHTC) program or the HOME program, to automatically satisfy the physical inspection requirements of the HCV program if the unit was inspected in the last year and the inspection was conducted by the public housing agency or provided to it.
- Currently, units have to meet certain physical inspection standards (HEROS standards), as determined by the public housing agency, before any housing subsidy is paid to the owner on behalf of the participating tenant(s) through a Housing Assistance Payments (HAP) contract.

Changes to Public Welfare Investment Cap

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The Act would increase bank's public welfare investment cap from 15% to 20%,which will permit banks to lend more money for affordable housing developments.

Changes to FHA-Insured Loans

The Act would increase statutorily mandated maximum loan limits for FHA-insured mortgages under several FHA multifamily programs, including loans insured under Section 207 (rental housing), Section 221(d)(4) (new construction or substantial rehabilitation of rental housing), Section 213 (cooperative housing), Section 220 (urban renewal), Section 231 (rental housing for elderly persons), and Section 234 (condominiums). Starting July 1, 2025, the Act would also change the index used to calculate the annual inflation adjustment to the maximum loan limits from the Consumer Price Index (CPI) to the Price Deflator Index of Multifamily Residential Units Under Construction to better track the costs of constructing multifamily developments.

Environmental Reviews

The Act would exempt responsible entities from HUD's environmental review requirements for certain additional housing activities, including tenant-based rental assistance, supportive services, and operating costs. Currently, all projects assisted or insured by HUD are required to undergo an environmental review to determine whether the proposed project complies with federal, state, and local environmental regulations.

Mitigation and Removal of Local Barriers to Multifamily Development

Pattern Books

- The Act would authorize HUD to establish a pilot program to provide grants to local governments and Indian Tribes to adopt pre-reviewed construction plans that are assessed and approved by the grantees for compliance with local building

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and permitting standards, called pattern books.

- Pattern books can be used for townhomes, duplexes, and other mixed-income housing types commonly used in scattered-site developments.
- State, county, and local governments can use pattern books to reduce the permitting time and predevelopment costs (such as architect fees) needed for multifamily housing developments.

Changes to the HUD's VASH Program

The Act would codify the exclusion of certain veterans' disability benefits from income eligibility calculations for recipients receiving benefits through HUD's Veterans Affairs Supportive Housing (VASH) program. This codification is intended to ensure that homeless veterans with VA service-connected benefits can live at income-restricted affordable housing properties even if their VA service-connected benefits would cause them to exceed the income limits in effect under the previous law. The Act would require public housing agencies to exclude all VA service-connected disability benefits received by VASH program applicants when determining tenant income eligibility.

FBT Gibbons counsels developers, investors, lenders, and other key stakeholders on affordable housing transactions in states across the country. We stay at the forefront of all legislative efforts affecting the industry, and we are ready to assist clients with navigating the changing legislative environment. For assistance understanding how this new legislation may apply to your projects, please contact the authors or any attorney on FBT Gibbons' Multifamily Housing industry team.

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