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Inside the ROAD to Housing Act: Building to expand supply

KEY TAKEAWAYS

FASTER FEDERAL APPROVALS

The Act streamlines and coordinates various reviews including environmental across HUD, USDA, and other agencies for jointly funded projects. It replaces sequential, duplicative processes with a shared workstream, cutting delays between financing commitments and construction closings.

EXPANDED BANK INVESTMENT CAPACITY

Section 203 raises the public welfare investment cap for national and state member banks from 15% to 20% of capital and surplus, unlocking meaningful new capital (especially for smaller community banks) for affordable housing deals.

DIRECTS INSTITUTIONAL CAPITAL

Section 1001 blocks large institutional investors (350+ single-family homes) from buying existing homes, keeping them available to owner-occupants. Newly built build-to-rent projects are exempt, channeling institutional money into expanding housing supply instead of competing in the resale market.

The 21st Century ROAD to Housing Act streamlines federal reviews, expands bank investment capacity, and preserves the limited partnership structure for real estate transactions in the US. Its bipartisan support and effectiveness by January 2027 pave the way for faster, better-financed affordable housing development amid a deepening supply crisis.

In a sweeping, bipartisan response to the ongoing affordability crisis, lawmakers overhauled US federal housing policy and finance by passing the 21st Century ROAD to Housing Act. Spanning twelve titles and more than fifty programs, the Act (enacted as Public Law 119-101 on July 11, 2026) aims to speed up access to home ownership. It streamlines federal housing programs and processes, modernizes housing finance, supports community development, and facilitates manufactured housing.

For real estate limited partnerships, the Act's significance is practical rather than structural. It reshapes the legal, regulatory, and financing landscape in

which partnerships raise capital, acquire land, build or rehab housing, manage regulated assets, and plan exits. But it doesn't touch the core mechanics of the limited partnership model itself. That structure still does what it has always done: separate passive investors from active control, accommodate tax-credit and mission-driven capital, and allocate profits and tax benefits through negotiated waterfalls.

The Act should expand the range of deals where this structure makes sense, particularly affordable rental housing, infill development, adaptive reuse, rural preservation, manufactured or modular housing, and projects supported by bank public-welfare investment authority.

This article looks at what the Act means for real estate partners specifically, who stand to benefit from a stronger deal pipeline under its auspices.

The Act and real estate partnerships

The limited partnership structure has long been the go-to structure for real estate deals. State limited partnership laws and model laws, dating back to the Uniform Limited Partnership Act of 1916, and with later revisions, created a structure where a general partner manages the process while limited partners contribute capital and keep their liability capped at their investment.

Federal tax law generally treats qualifying partnerships as pass-through entities, permitting income, loss, deduction, and credit items to be allocated among partners subject to the Internal Revenue Code and regulations promulgated by the US Department of the Treasury. Over time, this became the standard arrangement for housing deals: a developer-controlled general partner with passive equity investors, funded through a mix of capital sources, and governed by a partnership agreement that lays out preferred returns, distributions, sale rights, removal rights, guarantees, exit mechanics, and compliance obligations.

Federal housing programs — such as HOME Investment Partnerships Program, Community Development Block Grants, Federal Housing Administration multifamily insurance, rural housing programs, rental assistance, and state and local subsidy programs — have traditionally required layered financing and long-term use restrictions. The single-asset partnership model became further entrenched after the creation of the Low-Income Housing Tax Credit (LIHTC) program within the Tax Reform Act of 1986. The result is a standard



structure where a developer-controlled general partner works alongside equity investors, with terms for economics, tax allocations, reporting rights, and compliance spelled out in a partnership agreement. Even after limited liability companies (LLCs) became widely available, the limited partnership continues to be a familiar and highly adaptable structure for real estate investments.

The Act keeps intact this tradition. But where earlier federal programs mainly worked through insurance, subsidies, credits, or rental assistance, the Act takes a broader, supply-focused approach. It combines targeted financial-capacity changes with zoning and permitting incentives, program reforms, grants, pilot programs, manufactured-housing reforms, and limits on certain institutional single-family ownership aimed at fixing the regulatory

bottlenecks impeding housing supply and affordability.

Major repairs to housing finance

Before the Act's passage in July 2026, real estate partnerships often faced red tape, reviews, and approvals at three levels of government: city or township, state, and federal. The Act tackles this by streamlining reviews and modernizing programs, while boosting financing capacity through the Community Investment and Prosperity Act.

It also expands grant and pilot-program channels, which could steer large-scale institutional capital into housing development. Combined with new incentives for better local housing governance, these changes amount to what could be called 'major repairs' to fix broken parts in the housing finance process.

Lifting regulatory burdens

Congress recognized that housing project financings had become a regulatory obstacle course. Partnerships and joint ventures typically draw on multiple federal sources (for example, HUD, HUSA, HOME, CDBG, rental assistance, and tax credits¹) to complete the capital stack for housing developments. But combining these sources triggered a tangle of environmental and regulatory approvals before federal funds could be committed or released. Before the Act, market participants faced the following challenges:

- Overlapping environmental reviews;
- Uncertainty about which agency is responsible for review, oversight, and approvals;
- Sequential rather than concurrent reviews;
- Repeated requests for similar documentation; and
- Delays in receiving an authority-to-use-grant-funds approval.

These challenges made partnerships and other investment vehicles hesitant to close deals before federal environmental and other regulatory conditions were met. The resulting delays had financial consequences: construction-loan commitments would expire, lenders would reprice loans, tax-credit investors would reprice their equity, and acquisition contracts were subject to costly extensions, all while affordable housing demand kept climbing. The National Association of Home Builders estimated that regulations add \$130,000 to the cost of an average new single-family home, more than 25% of its overall cost.²

The Act takes aim at financing barriers through Sections 103, 205, 206, 501, and 802, which streamline regulatory approvals in key ways, including:

- Authorizing HUD to treat certain specified housing assistance as a

‘special project’, thereby streamlining local review. HUD has discretion to prioritize projects located in opportunity zones to make competitive housing grants;

- Enabling more housing-related activities to sidestep certain requirements of NEPA, the National Environmental Policy Act (for example, USDA-assisted infill housing is exempt from federal environmental review); and
- Coordinating environmental reviews and simplifying environmental requirements for smaller-scale HOME projects.

Projects that combined multiple sources of financing often faced a labyrinth of environmental reviews; for example, take a rural affordable housing project funded by a bank loan, HOME funds, and USDA assistance. Previously, each source required its own separate or sequential environmental processes. Section 802 of the Act fixes this by requiring HUD and USDA to coordinate their environmental reviews on jointly funded projects through a shared workstream, shortening the time between financing approval and construction closing.

While most of the Act’s remedies operate at the federal level, it also pushes state and local governments to reduce or remove their own barriers to home production. For example, a new competitive grant program would distribute up to \$200 million annually to local and tribal governments that permit streamlining, add density, and update zoning.³

Institutional investors and residences

The Act also addresses in an unprecedented way institutional ownership of single-family homes by prohibiting large institutional investors from acquiring residential properties. The

prohibition applies, with exceptions, to certain for-profit entities that have investment control over or own at least 350 covered single-family homes.

Those reading the Act will find this topic in Section 1001 within Title X, which draws a deliberate line between institutional demand for homes already in the owner-occupant market (which Section 1001 disallows) and institutional capital that creates additional rental housing supply (which Section 1001 permits).

This section prospectively blocks covered large institutional investors from acquiring non-excepted single-family homes, while treating qualifying newly constructed build-to-rent (BTR) homes as permissible, excepted purchases. The result is not a general prohibition on institutional ownership of single-family rentals; instead, the new law includes in Section 1001 the following channeling rule for institutional investors: do not compete for ordinary existing homes, but investor capital may be used to develop or to acquire qualifying newly built rental communities. These are the key elements of Section 1001:

- It applies to a ‘large institutional investor’, described in public summaries as a for-profit legal entity, including a fund, corporation, partnership, limited liability company, joint venture, association, or other for-profit vehicle that is engaged in the business of investing in, owning, renting, managing, or holding single-family homes and has the required level of direct or indirect investment control.
- The threshold is 350 or more single-family homes owned or under direct or indirect investment control.
- Excepted purchases are excluded from the threshold calculation. This is particularly important for a platform whose portfolio is heavily composed of qualifying BTR homes.

The language of the Act reflects care by the drafters in determining what is meant by ‘investment control’. This is an important concept because unless a large institutional investor owns or has 350 or more single-family homes under direct or indirect (with others) investment control, then the prohibition does not apply. The Act states that ‘an entity has direct or indirect investment control over a single-family home’ if the entity owns the home, or has ‘primary authority or fiduciary responsibility’ to make ‘material’ managerial or investment decisions relating to a single-family home. Investment control may also exist if an entity directly or indirectly controls the general partner or managing member of the owner of a single-family home (or controls the investment manager, management company, or investment advisor of the owner), or otherwise controls the owner of one or more single-family homes. Finally, if an entity owns or controls more than 25% of equity interests in the owner of one or more single-family homes, then ‘investment control’ is also deemed to exist unless the equity owner is a passive investor.

As a consequence, if a for-profit entity, alone or in concert with others, owns or has investment control over the threshold number of homes (i.e., 350 or more single-family homes), then that entity falls within Section 1001 of the Act and, beginning January 7, 2027, it may not directly or indirectly purchase — or enter into a contract to purchase — any additional single-family home unless the acquisition qualifies as an excepted purchase or another statutory exclusion applies (e.g., the BTR exception); Section 1001 does not however require divestiture after January 7, 2027 (if ownership or investment control over the threshold number of homes exists).

Section 1001 is best understood as a targeted reallocation of institutional capital. The restriction is intended to keep

covered large institutional investors from using scale to acquire existing single-family homes that could otherwise remain in the owner-occupant channel within the real estate market. The express exception for qualifying newly constructed BTR projects preserves institutional participation when that participation creates additional housing supply.

The Act in Action

The Act became law on July 11, 2026, though provisions become legally effective on staggered dates. The major enforcement rules take full effect on January 7, 2027.

A developer forming a single-asset limited partnership to buy or build a multifamily housing project in 1Q2027 will do so under the Act’s regulations. The developer will serve as general partner, while a community bank and investment funds serve as limited partners. Construction and permanent lenders provide secured debt, with state and local grant proceeds filling remaining gaps. The developer of such a jointly funded project would likely benefit from the Act’s streamlined and coordinated review requirements.

Banks play an important role in many multifamily housing projects, but federal law has historically capped their investment. Before the Act, national banks or Federal Reserve state member banks could invest up to 15% of their bank’s capital and surplus to public welfare projects. This category includes equity investments in affordable housing, tax-credit funds, CDFIs (community development financial institutions), community development entities, limited partnerships, and LLCs. Because this ceiling applied to a bank’s entire portfolio of such investments, a bank nearing the 15% limit often had to reduce, postpone, syndicate, or decline an otherwise permissible housing

investment. The constraint was particularly significant for smaller banks.

Section 203 of the Act (the Community Investment and Prosperity Act) raises this ceiling from 15% to 20% of capital and surplus for national and state member banks. For a smaller bank with \$100 million in capital and surplus, a 5% increase in capacity translates to a difference between a \$15 million cap and a \$20 million cap — an additional \$5 million available for affordable housing investments.

Partnerships and other real estate market participants such as community banks stand to benefit from the Act because it reshapes the legal, regulatory, financing, and programmatic housing landscape at a time in which housing inventory is increasingly scarce. ¹

¹ A few key sources of federal financing and US programs are worth knowing.

- HUD (US Department of Housing and Urban Development) is the principal federal department responsible for national housing policy, affordable housing programs, fair-housing enforcement, community development, and certain forms of mortgage insurance.
- USDA (US Department of Agriculture) is primarily associated with agriculture, but also runs significant housing and community-development programs in eligible rural areas through its Rural Development division and Rural Housing Service.
- HOME is a federal affordable-housing grant program administered by HUD and created under the Cranston-Gonzalez National Affordable Housing Act of 1990. While it is not a federal agency, it distributes HUD funds to participating state and local governments (‘participating jurisdictions’), which must set aside a portion for qualified nonprofits called CHDO (Community Housing Development Organizations) that meet specific federal requirements.
- CDBG (Community Development Block Grants) is a HUD-administered federal grant program, created under the Housing and Community Development Act of 1974, focused on larger cities, urban counties, and other ‘entitlement communities’.

² Willett, Eric and Rick Pollack. “What’s On the Road to 21st Century Housing: A Breakdown of the New Law.” RCLCO Real Estate Consulting, June 24, 2026.

³ The Act merely authorizes this grant program; no funds can be distributed prior to the annual appropriations process (e.g., fiscal year 2027 Transportation, Housing, and Urban Development (THUD) appropriations legislation). Once funded, HUD would issue regulations laying out program guidelines, application requirements, performance metrics, and other prerequisites.

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