Memorandum

July 1, 2026

To: Clarence Anthony, CEO & Executive Director
NLC's Board of Directors

From: Irma Esparza Diggs, Senior Executive and Director of Federal Advocacy
Mike Wallace, Legislative Director, Housing, Community & Economic `
Development

Subject: 21st Century ROAD to Housing Act

Thank you for taking advocacy actions over the last year on the comprehensive federal housing package that's become the "21st Century ROAD to Housing Act". Our targeted and timely outreach to Members of the House Financial Services Committee and Senate Banking Committee, and Members of your Congressional delegations, demonstrated time and again the capacity of NLC and our State Municipal League partners to exercise influence and deliver results for local governments and our champions in Congress.

Members of Congress and Committee Staff in the Majority and Minority are crediting the advocacy of local elected officials as the major factor in the moving the bill to the finish line. NLC was frequently cited in everything from committee documents to floor speeches, including Senate Majority Leader Thune highlighting NLC's support on the Senate floor, saying "*There is a lot more in this bill, from support for veterans and rural communities to increased oversight and accountability for Federal housing programs. It is the product of good ideas from both parties and from both Houses of Congress. And it is no surprise that it is supported by everyone from the National League of Cities to the National Association of Affordable Housing Lenders and the National Association of REALTORS*."

The final bill is a major win for local governments and, following enactment by the White House, NLC is making the bill a communications priority with new blogs and fact sheets, quotes and video statements by local and Congressional leaders posted on our homepage, and template op/ed's for local leaders willing to spread awareness of what will be new as a result of the bill.

Here is a quick update on the status of the "21st Century ROAD to Housing Act" and what comes next. After that, we have categorized and summarized the major provisions of the bill, alongside bullets that can serve as talking points.

STATUS

Following a year of negotiation between the House, Senate, and White House, and an unusual, informal conference committee process that brought the housing package to the

House and Senate Floors for three separate "final" votes, the House and Senate have at last passed identical versions of the "21st Century ROAD to Housing Act".

During the final negotiations, NLC was successful in restoring back into the bill two priorities the House had initially removed from an earlier Senate bill. Those two provisions authorize, for the first time, an annual CDBG-Disaster Recovery program with standardized rules; and an expansion of the Rental Assistance Demonstration program that will help cities with public housing units access less expensive financing for repair and maintenance of those units.

The final vote in the Senate was 85-5, and in the House 358-32. Importantly, the vote tallies are above the threshold of support necessary to override a Presidential veto. That's important because, as most of you know, the President abruptly cancelled a bill signing ceremony last week, throwing enactment itself into question. However, the outlook for enactment remains positive.

Prior to final passage, the White House had issued a series of Statement of Administration Policy (SAP) supportive of the bill, stating the Administration would recommend the President sign the bill. At no point in the process did the White House issue a statement recommending a Presidential veto.

Rather than policy or principle objections to anything in the housing package, the President cancelled the signing ceremony as another way to pressure the Senate Majority to advance the "Save America Act", the President's election security bill. One way to look at this is that the housing bill is caught up in a family squabble on the Majority side. And like most family squabbles, outsiders views aren't particularly welcome or helpful. That's one reason NLC did not object publicly or forcefully to the President's cancellation of the signing ceremony. Instead, we relied on our champions in Congress to communicate with the White House behind the scenes.

Speaker Johnson formally transmitted the bill to the President on Monday, kicking off the ten legislative-day window for the President to act. Within that window, the President can sign the bill into law, or veto the bill, at any time. If the President does not sign or veto the bill over these ten days, essentially taking no action, the bill will automatically become law on Friday, July 10. Allowing the bill's enactment without a signing ceremony is one likely path forward that does not require the President to break his strategy of pressuring Senate Republicans on the "Save America Act".

THE 21ST CENTURY ROAD TO HOUSING ACT

The bipartisan housing package is a package of nearly 60 different stand-alone bills. As a reminder, the bill aims to increase housing supply, lower housing costs, and modernize federal programs and regulations that impact housing attainability. The bill authorizes a handful of new programs, but the bill itself is deficit-neutral and funding for those programs must be provided by the Appropriations Committee's.

Nothing in the bill preempts local authority or establishes unfunded mandates. In general, federal agencies are required to implement provisions over 12, 18, or 24 months following enactment, with a few exceptions providing even longer implementation windows.

Provisions in the bill directly championed by NLC will:

- Streamline or waive federal requirements around environmental review and federal approvals.
- Enhance flexibility for grant programs like CDBG and HOME that are allocated directly to local governments.
  - CDBG eligible expenditures will now include new construction; and HOME eligible expenditures will include workforce housing and, in certain conditions, housing-related infrastructure.
- Provide other new resources to address infrastructure necessary for permitting additional housing.
- Provide new capacity assistance to local governments seeking to evaluate and amend local ordinances for the purpose of making housing more attainable. Such resources could reduce costs to local governments that would otherwise bring in consultants or other costly specialists to undertake such activities.
- Increase sources of private capital for housing development.
- By design, the 21st Century ROAD to Housing Act does not preempt local or state zoning. As stated in Banking Committee documents, "Chairman Scott believes zoning decisions are best made locally, not in Washington."
- The bill is a great example of Congress choosing partnership over preemption to make housing more attainable.

Provisions supported by NLC National Municipal Policy

Sec. 212 – **Rental Assistance Demonstration Program**

This section lifts the cap on the Rental Assistance Demonstration (RAD) program by 100,000 units and codifies tenant protections.

- RAD converts public housing funded units to voucher funded units in order to lower the financing costs of maintenance and repair.
- *This provision was re-inserted into the bill during final negotiations with NLC's support.*

Sec. 504 – **Reforming Disaster Recovery Act**

This section permanently authorizes the Community Development Block Grant–Disaster Recovery (CDBG-DR) program and establishes the Office of Disaster Management and Resiliency within HUD to administer the program.

- Establishes consistency in the availability and regulation of housing aid following a disaster, rather than requiring Congress to pass new legislation, with new rules, each time a community requests disaster aid.

- *This provision was reinserted into the bill during final negotiations with NLC's support*

Sec. 102 - **Federal Guidelines for Point Access Block Buildings.**
Requires HUD to establish federal guidelines for point-access block buildings (i.e., single staircase apartments with three or more stories). It also allows HUD to award competitive
grants for pilot programs to assess the feasibility of such buildings where they make local sense.

- Directs coordination with the International Code Council
- New grant for local governments serves as incentive

Sec. 103 - **Exemption on Construction or Modification of Residential Housing Located on an Infill Site.**
Exempts most Rural Housing Service (RHS)-funded projects from NEPA requirements regarding the construction or modification of residential housing located on an infill site.

- Reduces federal regulatory burdens on cities and towns.

Sec. 105 - **FHA Small-Dollar Mortgages.**
Authorizes a HUD pilot program to increase access to small-dollar mortgages with original principal balances of $100,000 or less.

- Creates financing option to support the market for construction of smaller homes.

Sec. 202 – **Whole-Home Repairs Act**
This section establishes a 5-year pilot program at HUD to offer grants and forgivable loans to low-and moderate-income homeowners and qualifying small landlords to holistically address home repair needs and health hazards. The goal is to stabilize aging housing stock, preserve affordable units, and support neighborhood revitalization without creating new long-term federal entitlements.

- Authorizes new federal funding to preserve affordable housing and prevent blight

Sec. 203 – **Community Investment and Prosperity Act**
This section increases the statutory Public Welfare Investment cap that limits banks' investments in community development projects from 15% to 20%.

- This provision permits banks to increase the amount they may invest in affordable housing.

Sec. 204 - **Addition of Affordable Housing Construction as an Eligible Activity.**
Adds new construction as an eligible use under HUD's CDBG program.

- This additional flexibility enacts a long sought NLC priority for the CDBG program

Sec. 205 – **Better Use of Intergovernmental and Local Development (BUILD) Housing Act**

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This section cuts red tape around environmental reviews, empowering states, local governments, and Indian tribes to streamline reviews and increase housing development.

- Allows HUD to accept state or local environmental reviews that would be duplicative with federal NEPA housing review requirements
- Permits HUD to designate "special projects" that grant simplified and streamlined compliance requirements.

Sec. 206 – **Unlocking Housing Supply Through Streamlined and Modernized Reviews Act**
This section right-sizes National Environmental Protection Act (NEPA) review for small and infill housing projects, and adaptive reuse (office to residential conversions), which will simplify the review process and get projects to construction faster.

- Reduces federal regulatory burdens on cities and towns.

Sec. 207 - **Grants For Planning and Implementation Associated with Affordable Housing.**
Section 207 authorizes a pilot program to offer competitive grants to assist state, local, and tribal
governments with regional housing planning and community development activities.

- Supports Regional Councils and Metropolitan Planning Organizations undertaking housing planning assistance.

Sec. 208 – **Innovation Fund**
This section creates a competitive pot of highly-flexible funding for communities that are building more housing supply. Funds can be used to improve community infrastructure, build housing, and supplement water and sewer grants.

- Authorizes new HUD grants for local infrastructure needs related to housing
- Provides a monetary incentive to local governments that demonstrate objective improvement in housing supply growth

Sec. 209 – **Accelerating Home Building Act**
This section establishes a HUD-administered grant program to help communities establish pre-approved housing designs, or pattern books, to help streamline and expedite local construction processes and build more homes.

- Authorizes new funding to support design standards and review for cities that choose to apply. Voluntary, not mandated.
- Sets aside 10% of available funds for small and rural areas

Sec. 210 – **Revitalizing Empty Structures into Desirable Environments (RESIDE) Act**
This section creates a competitive pilot discretionary program within the HOME Investment Partnerships program if the annual appropriation exceeds $1.35 billion to convert vacant and abandoned buildings into attainable housing.

- Authorizes new funding, in addition to existing HOME funds, for vacant and industrial property conversion to housing. Eligible activities include buying abandoned buildings at market price, site clean-up and preparation, weatherization and energy efficiency upgrades, major repairs like plumbing, HVAC, and sewer, construction needed to create affordable homes

Sec. 302 – **Modular Housing Production Act**
Requires the Department of Housing and Urban Development (HUD) to review all construction lending programs administered by the Federal Housing Administration (FHA) and promptly address barriers that currently limit construction financing for modular homes

Sec. 304 – **PRICE Act**
This section authorizes HUD's Preservation and Reinvestment Initiative for Community Enhancement (PRICE) Program to provide grants to communities to maintain, protect, and stabilize manufactured housing and manufactured housing communities.

- Authorizes new funding to support construction and maintenance of manufactured housing (Housing built in pieces off site. The bill contains several provisions to boost awareness of advances in manufactured and modular homes).

Sec. 404 – **Helping More Families Save Act**
This section establishes a pilot program under HUD's Family Self-Sufficiency (FSS) initiative to promote economic mobility and homeownership by enabling more families to grow their household savings.

- This provision encourages more families with rental assistance to build long-term financial security by directing a portion of increased income, which would otherwise be spent on increased rent, into interest-bearing saving accounts.

Sec. 405 – **Choice in Affordable Housing Act**
This section will reduce HUD inspection delays by allowing units that are financed through other federal housing programs to automatically satisfy voucher inspection requirements if inspected within the past year. Additionally, the bill permits new landlords to request pre-inspections to increase access to housing for voucher holders and encourage landlord participation.

- Eliminates duplicative requirements on landlords as a barrier to participation in federal housing subsidy programs.

Sec. 501 – **HOME Investment Partnerships Reauthorization and Reform Act**
This section reauthorizes the HOME Investment Partnerships Program and makes critical updates to improve program administration and facilitate the construction of more affordable housing.

- Reauthorizes HOME which provides direct grants to local governments

- Adjusts up income limits for beneficiaries to "families with a household income that does not exceed 100 percent of the median family income of the area as determined by the Secretary with adjustments for smaller and larger families"
- Preserves local authority by stating "The Secretary may not restrict the choice by a participating jurisdiction of rehabilitation, substantial rehabilitation, new construction, reconstruction, acquisition, or other eligible housing uses authorized in paragraph (1) unless the restriction is explicitly authorized under section 223(2)."
- Permits HOME grantees that do not also receive CDBG to use grant funds for infrastructure improvements directly related to housing.
- NLC supported an earlier version of this provision that also excluded HOME funded development from Davis-Bacon wage requirements, but that exclusion was negotiated out of the final bill.

Sec. 502 – **Rural Housing Service Reform Act**
This section enacts reforms to the existing Rural Housing Service, including decoupling rental assistance from maturing mortgages to preserve affordable housing in rural areas.

Sec. 503 – **Incentivizing Local Solutions to Homelessness**
This section allows states and localities that receive Emergency Solutions Grant funding to request a waiver of the statutory 60 percent spending cap on emergency shelter beds and street outreach.

- Increases flexibility for Homeless Assistance Grants

Sec. 505 – **New Moving to Work Cohort**
This section authorizes a Moving to Work expansion cohort with targeted flexibilities to improve program administration and tenant outcomes.

- Increases flexibility for local housing agencies

Sec. 603 – **Housing Unhoused Disabled Veterans Act**
This section permanently excludes veterans' disability compensation from annual income calculations under the HUD-VASH program to help more homeless veterans access VA housing.

- Reduces possibility of veterans losing aid due to strict income limits

Sec. 801 – **HUD-USDA-VA Interagency Coordination Act**
This section directs HUD, USDA, and the VA to identify areas for collaboration to streamline and improve housing program implementation.

- Improves interagency coordination on federal housing programs

Sec. 802 – **Streamlining Rural Housing Act**
This section directs HUD and USDA to coordinate on joint environmental reviews for housing projects funded by both agencies.

Sec. 804 - **GAO Studies.**
Directs the Government Accountability Office (GAO) to study key housing issues to help advance housing and economic opportunities for middle-income households and workforce housing, housing for the elderly or disabled, and generational retention of heirs properties.

Sec. 1001 - **Homes are for People, Not Corporations.**
Prohibits large institutional investors from purchasing certain single-family homes to promote homeownership opportunities for American families, not corporations

- No large institutional investor may purchase, or enter into a contract to directly or indirectly purchase any single-family home, with exceptions.
- Enforces penalties on violators.

<u>Provisions that do not conflict with NLC National Municipal Policy</u>

Sec. 101 – **Reforms to Housing Counseling and Financial Literacy Programs**
This section allows HUD to review the performance of housing counseling agencies and counselors. If a counselor's performance falls short, HUD may require additional training and provide opportunities to demonstrate improvement. Counselors found to be consistently out of compliance may be subject to enhanced oversight or lose their certification.

Sec. 104 - **Database of Publicly Owned Land.**
Requires Community Development Block Grant (CDBG) grantees to maintain a publicly accessible, searchable database identifying undeveloped land owned by the jurisdiction.

- As a result of NLC advocacy, this provision was improved by explicitly permitting grantees to use their CDBG funds to directly cover the cost of compliance with the new database requirement.

Sec. 106. **Temperature Sensor Pilot Program.**
Establishes a HUD pilot program to award grants to public housing agencies and owners of federally assisted rental housing to install temperature sensors in dwelling units, with the written permission of tenants, to ensure compliance with temperature-related housing quality standards.

Sec. 201 – **Increasing Housing in Opportunity Zones**
This section enables the HUD Secretary to give added weight to applicants for competitive HUD grants that are located in, or primarily serve, designated Opportunity Zones to support housing preservation and construction.

Sec. 211 – **Housing Affordability Act**

This section increases the Federal Housing Administration's (FHA's) multifamily housing loan limits for mortgage insurance and requires the use of a more specific inflation index for these limits

Sec. 303 – **Property Improvement and Manufactured Housing Loan Modernization Act**
This section updates mortgage lending standards for manufactured housing through the FHA and expands access to financing for housing. The section also directs HUD to study the cost-effectiveness and long-term value of supporting factory-built housing finance options to address the nation's housing shortages.

Sec. 401 – **Creating Incentives for Small Dollar Loan Originators**
This section requires the Consumer Financial Protection Bureau (CFPB) to issue a report to Congress studying the effect of various factors of loan originator compensation on the availability of small-dollar mortgage loans and to assess the barriers they pose to the availability of small-dollar mortgages to consumers. It also gives the CFPB the flexibility to amend rules to encourage small-dollar loan origination.

Sec. 402 – **Small Dollar Mortgage Points and Fees**
This section requires CFPB and the Federal Housing Finance Administration (FHFA) to evaluate the impact of existing regulations that limit the points and fees that lenders can charge on qualified mortgage loans, which vary by loan limit. Based on such evaluation, the provision directs CFPB to make any necessary regulatory changes to points and fees to help encourage additional lending for small-dollar mortgages.

Sec. 403 – **Appraisal Industry Improvement Act**
This section helps bolster the appraiser workforce capacity, including by allowing both licensed and credentialed appraisers to conduct appraisals for FHA-insured mortgage lending transactions.

Sec. 601 - **Military Service Question.**
Adds a disclosure to Fannie Mae and Freddie Mac's uniform residential loan application form to ensure that veterans are made aware of their home loan benefits through the Department of Veterans Affairs (VA), which may provide a more affordable lending option

Sec. 603 – **Veterans Affairs Loan Informed Disclosure (VALID) Act**
This section improves transparency for veteran homebuyers by requiring FHA mortgage disclosures to include cost comparison information to make veterans aware of their home loan benefits through the VA and help them compare those options to FHA financing.

Sec. 701 – **Requiring Annual Testimony and Oversight from Housing Regulators**
This section requires annual testimony on housing and community development issues from the heads of HUD, FHA, Ginnie Mae, U.S. Department of Agriculture (USDA), FHFA, and the VA.

Sec. 702 – **FHA Reporting Requirements on Safety and Soundness**
This section requires HUD to report monthly to Congress on the state of statutorily required capital ratio of the Mutual Mortgage Insurance Fund, including a notice to Congress any time that ratio falls below statutorily required levels.

Sec. 703 – **United States Interagency Council on Homelessness (USICH) Oversight**
This section requires USICH to provide an update on the status of the plan to reduce homelessness in its annual planning process and requires annual USICH Congressional testimony.

Sec. 704 – **Appraisal Modernization Act**
This section requires mortgage lenders to maintain procedures to allow for consumer-initiated requests for second appraisals, or reconsiderations of value, when they believe there may be an issue with their appraised home value.

Sec. 803 – **Improving Self-Sufficiency of Families in HUD-Subsidized Housing**
This section directs HUD to conduct a study on the implementation of work requirements by public housing agencies, with an assessment of the challenges and benefits of work requirements on public housing agencies and families, including the effects on homelessness, poverty, asset building, job attainment, and public housing agency administrative capacity.

Sec. 805 **- Improving Public Housing Agency Accountability.**
Subjects public housing agencies (PHAs) to additional disclosure and oversight requirements, including enhanced reporting requirements for PHAs that are in receivership or subject to a monitor. It also adds certain requirements for the HUD Inspector General as it relates to PHA oversight.

Sec. 901 - **Community Bank Deposit Access.**
Establishes that custodial deposits of an insured depository institution are not considered to be brokered deposits if the total amount does not exceed 20% of an institution's total liabilities and the institution has less than $10 billion in assets and meets certain other criteria.

Sec. 902 - **Keeping Deposits Local.**
Modifies the amount of reciprocal deposits of an insured depository institution that are not considered to be brokered deposits under a graduated scale based on an institution's total liabilities. The institution is also required to be well-capitalized and receive strong supervisory ratings from its regulators.

Sec. 903 - **Tailored Regulatory Updates for Supervisory Testing.**
Raises the consolidated asset threshold from $3 billion to $6 billion for insured depository institutions to qualify for an 18-month examination cycle.

Sec. 904 - **Credit Union Board Modernization.**

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Amends the Federal Credit Union Act to revise the frequency of meetings that a federal credit union's board of directors is required to hold.

Sec. 905 - **Systemic Risk Authority Transparency.**
Requires the GAO and appropriate Federal banking regulators to issue reports within specified timeframes when the Federal Deposit Insurance Corporation (FDIC) invokes the systemic risk exception, detailing causes of bank failures, regulatory actions, and any management or supervisory shortcomings.

Sec. 906 - **Advancing the Mentor-Protégé Program for Small Financial Institutions.**
Directs the Department of the Treasury to establish a mentor-protégé program pairing large financial institutions with other depository institutions, with the goal of enhancing their capacity to serve customers and potentially act as financial agents.

Sec. 907 - **American Access to Banking.**
Directs Federal banking and credit union regulators to streamline the de novo application process, reduce duplicative information requests, and review capital-raising restrictions, particularly for non-accredited investors.

Sec. 908 - **Promoting New Bank Formation.**
Creates a two-year phase-in pilot for de novo financial institutions to meet Federal capital requirements.

Sec. 909 - **Rural Depositories Revitalization Study.**
Requires Federal prudential regulators to jointly study ways to improve the growth, capital adequacy, and profitability of rural depository institutions and to identify regulatory barriers to these goals and to the formation of new depository institutions, with a report to Congress due within one year of enactment.

Sec. 1101 - **Central Bank Digital Currency.**
Prohibits the Federal Reserve from issuing a central bank digital currency through December 31, 2030.

Sec. 1201 - **Severability**.
Provides a severability clause for the legislation.

- A severability clause protects laws stemming from the bill from being completely voided if a court finds one part of the law unconstitutional

Sec. 1202 - **No Additional Funds Authorized.**
Stipulates that the bill remain budget-neutral and programs authorized in the bill should not result in an overall increase in federal budget

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Provisions that may raise concerns

Although the overall bipartisan housing package is a major win for local governments, a small number of provisions nonetheless have raised concerns that NLC has communicated to Members of Congress. NLC will continue to advocate in the interest of local governments as these provisions go through the regulatory process.

Sec. 107 – **Housing Supply Frameworks**
(This provision was eliminated from an earlier version of the bill at the urging of the White House. It was restored back into the bill following final negotiations between the White House, Senate, and House. It's restoration in the final bill may be related to the Senate accepting the elimination of a requirement in the final bill that institutional investors sell any build-to-rent homes in their portfolio after 7 years.)
This section directs HUD to develop best practice frameworks for zoning and land-use policies, which the authors view as helpful resources for communities seeking to identify and overcome barriers to housing development; and an enhancement for HUD programs already providing grants to local governments related to the local regulatory environment for housing.

- This section directs HUD to develop new resources for state and local governments related to land use and housing. It includes an overly-prescriptive list of related issues for HUD to take into consideration – an issue we have raised with the House and Senate committees. However, we count it as a win that the provision does not include federal mandates related to the new resources that would be developed. Considering the substantial staffing losses at HUD, it will likely take several years for HUD to finalize a set of frameworks.
- Establishes a task force to advise the HUD Secretary including "members of local zoning and planning boards and local and regional transportation planning organizations".
- The section eliminates HUD's Regulatory Barriers Clearinghouse which was authorized in 1992.
- Among the findings within the legislation:
    - "State and local governments are proactively exploring solutions for reforming regulatory barriers, but additional resources, data, and models can help adequately address these challenges."
    - "While land use regulation is the responsibility of State and local governments, there is Federal support for necessary reforms, and there is an opportunity for the Federal Government to provide support and assistance to State and local governments that wish to undertake necessary reforms in a manner that fits their communities' needs."

Sec. 213 – **Build Now Act**
(This provision, co-sponsored by Senators John Kennedy (R-LA) and Elizabeth Warren (D-MA), was essential to gaining Senator Kennedy's vote for the final bill. Conversely,

reliably pro-housing Senator Todd Young (R-IN) has not supported the bipartisan housing package because it excludes his "Yes In My Backyard (YIMBY) Act". The YIMBY Act would require every CDBG grantee to report on whether they have adopted certain anti-discriminatory land use policies and/or to submit a plan for implementing said policies and the ways in which adopting the policy would benefit the jurisdiction. Policies encouraged by the YIMBY Act for all CDBG grantees include enacting high-density single-family and multifamily zoning, allowing manufactured homes in areas zoned primarily for single-family residential homes, reducing minimum lot size, and allowing single-room occupancy development wherever multifamily housing is allowed. Fewer CDBG grantees will be impacted by the "Build Now Act" that was included in the final bill, compared to the "YIMBY Act" which was excluded from the bill.)

This section creates a pilot program to incentivize housing development of all kinds in Community Development Block Grant (CDBG) participating jurisdictions, excluding states CDBG grants for small cities.

- The impact of this provision is limited to the approximately 1,250 metropolitan cities and counties that receive annual CDBG formula grants.
- The small cities CDBG program that states sub-allocate to non-metro cities on a competitive basis is unaffected.
- The bill requires HUD to measure the growth of housing units (Housing Growth Improvement) in a grantee's jurisdiction over a five-year period. Local governments are not measured against each other – the calculation is solely based on the housing units in the grantee's own jurisdiction.
    - Grantees that achieve a Housing Growth Improvement Rate above the median growth rate of all CDBG grantees will be allocated bonus CDBG funding for the year, for an amount up to 10% of the grantee's total CDBG allocation. High-growth CDBG grantees will be excluded from the median calculation to prevent against an artificially high median,
    - Grantees that perform below the median Housing Growth Improvement Rate will have their annual CDBG allocation decreased by 10% for the year. The funds captured by any decrease are the source of funds for bonuses to above median cities.
    - Grantees within range of the national median will receive neither a reduction nor a bonus.
- Certain criteria would excuse grantees with below median growth rates from the reduction in funds. The criteria is mostly aimed at excusing grantees where housing demand is not naturally high. These include:
    - The grantee's Small Area Fair Market Rent is below the 60^{th} percentile of the media of all grantees,

    - The annual rental vacancy rate is higher than the national annual natural rental vacancy rate.
    - The grantee was subject to a natural disaster or federal emergency declaration over the course of the prior year.
    - The grantee is prohibited by state law from adopting or amending relevant zoning or permitting ordinances.
- NLC raised concerns with this section, but given the fair consideration of situations where housing demand is not high or there are state prohibitions on relevant local government authority, these concerns did not outweigh the numerous outright positive provisions for local governments in the overall bill.
    - Under the provision, there would be no overall decrease in CDBG funding for allocation by formula to local governments. This makes the provision distinct from other CDBG tampering we have strongly opposed in the past, such as bills that would withhold CDBG funds from "sanctuary cities" without reallocation to other local government grantees. Unlike proposals that would withhold CDBG grant funding for various reasons, this provision would not jeopardize any grantees eligibility for a CDBG grant.
    - The provision is not an unfunded mandate on grantees, and is not a preemption that eliminates existing local government authority.

As implementation moves forward, NLC will continue to work closely with federal agencies, Congress, State Municipal Leagues, and local elected officials to ensure the law is carried out in a manner that maximizes flexibility, preserves local decision-making authority, and delivers meaningful results for communities. We will provide additional guidance, educational resources, implementation updates, and advocacy opportunities as federal agencies begin the rulemaking and program design process.

Thank you again for your engagement, leadership, and advocacy throughout this effort. The enactment of the 21st Century ROAD to Housing Act demonstrates the impact local voices can have on federal policymaking and reflects what can be achieved when cities, towns, and villages speak with a united voice on behalf of their residents.