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Northmarq

Three Paths Forward:

The ROAD Act Could Improve Affordable Housing Feasibility

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The 21st Century ROAD to Housing Act recognizes that affordable housing supply is constrained at multiple points. By addressing preservation, local development policy and off-site construction, the Act creates paths to improve feasibility. Its impact will depend on whether greater policy flexibility produces the certainty and capital needed to move projects forward.

Making preservation a long-term strategy

The Act increases the Rental Assistance Demonstration program's capacity from 455,000 to 555,000 units and eliminates its sunset date. The additional capacity matters, but permanence may prove more consequential.

Affordable housing transactions can take years to plan and assemble. A permanent RAD program gives public housing agencies and private developers confidence to build long-term pipelines without a federal deadline. That certainty is already renewing conversations about partnerships that can unlock private capital historically difficult to access under the traditional Section 9 public housing model. The result is more opportunities to address deferred maintenance and work-order backlogs, improve living conditions for residents and preserve affordable housing for the long term.

Higher costs and pressure across affordable housing continue to create gaps that debt, equity and subsidies must fill. One encouraging development is growing interest from private capital sources that have not historically focused on the sector, attracted by yields and mission. Their participation will broaden financing options, with capital structured around each property's operations and rehabilitation needs.

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Reducing uncertainty before financing begins

The Act also directs HUD to develop guidelines for state and local zoning reform. Greater allowable density, flexible floor-area ratios and reduced permitting burdens are key to improving project economics with improved certainty.

The guidelines will not change local development policies, making state and local adoption critical to their impact.

Developers commit time and capital well before a project is approved. Unpredictable reviews, extended permitting timelines, fees and changing design requirements increase at-risk pursuit costs and total development costs. More predictable local processes allow developers and capital providers to evaluate risk earlier and underwrite projects with greater confidence.

Successful local policies must support project economics. Density or flexibility can offset affordability requirements and help limited subsidies support more units. Additional requirements adopted without sufficient incentives can widen the feasibility gap. The most effective reforms will create a workable exchange between public affordability goals and the returns necessary to attract development capital.

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Bryan Liu

Senior Director - Senior Vice President, Debt + Equity

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Matching financing to how housing is built

The Act's support for manufactured and modular construction addresses a different source of friction. Removing the permanent-chassis requirement could expand design flexibility for HUD-code manufactured housing once new standards are established. Separately, HUD must examine barriers to modular construction within FHA financing programs.

Factory production and conventional construction lending operate on different timelines. Manufacturers may require substantial payments before components reach the site, while loan proceeds are commonly released as work is completed there. Alternative draw structures could reduce that liquidity mismatch. Wider adoption will also require lender confidence in manufacturers, completion protections, local approvals and insurance.

The Act creates flexibility at three critical points in the affordable housing development cycle by supporting preservation, increasing certainty around local approvals and better aligning financing with new construction methods. Its impact will allow for coordinated implementation and capital structures that reflect how affordable housing projects are approved, preserved and built.

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