



21st Century ROAD to Housing Act
Title II, Section 208: *Innovation Fund*
[Link to Section 208 Text](#)

SUMMARY

Section 208 authorizes a new grant program—the Innovation Fund—for seven years. Congress is permitted to fund the program up to \$100 million annually. During years when the program is funded, HUD can make at least 25 grants between \$250,000 - \$10 million to eligible entities for the purpose of carrying out housing and community development projects. States are not included as eligible entities.

HUD is directed to prioritize applications from eligible entities that have implemented housing supply interventions and / or demonstrated improvement in their local housing growth rate.

IMPLEMENTATION TIMELINE AND RESPONSIBILITIES

Subsection (b): Establishment of a Grant Program

- (1) Establishment – Not later than 1 year after the date of enactment of this Act, the Secretary shall establish a program to award grants on a competitive basis to eligible entities that have increased their local housing supply.
- (2) List of Eligible Entities – The Secretary shall make a list of eligible entities publicly available on the website of the Department of Housing and Urban Development.
- (3) Eligible Purposes – An eligible entity receiving a grant under this section may use funds to –
 - (A) carry out any of the activities described in section 105 of the Housing and Community Development Act of 1974 ([42 U.S.C. 5305](#));
 - (B) carry out any of the activities permitted under the Local and Regional Project Assistance Program established under section [6702 of title 49](#), United States Code; and
 - (C) carry out initiatives of the eligible entity that facilitate the expansion of the supply of attainable housing and that supplement initiatives the eligible entity has carried out, or is in the process of carrying out, as specified in the application submitted under paragraph (4).
- (4) Application –
 - (A) In General – An eligible entity seeking a grant under this section shall submit to the Secretary an application that provides –
 - (i) a description of each purpose for which the eligible entity will use the grant, and an attestation that the grant will be used only for 1 or more eligible purposes described in paragraph (3);

(ii) data on characteristics of increased housing supply during the 3-year period ending on the date on which the application is submitted, which may include whether such housing—

(I) serves households at a range of income levels; and

(II) has improved the quality and affordability of housing in the jurisdiction of the eligible entity;

(iii) a description of how each eligible purpose described in clause (i) may address a community need or advance an objective, or an aspect of an objective, included in the comprehensive housing affordability strategy and community development plan of the eligible entity under part 91 of title 24, Code of Federal Regulations, or any successor regulation (commonly referred to as a “consolidated plan”); and

(iv) a description of how the eligible entity has carried out, or is in the process of carrying out, initiatives that facilitate the expansion of the supply of housing.

(B) Initiatives – Initiatives that meet the criteria described in paragraph (3)(C) include, but shall not be limited to –

(i) increasing by-right uses, including duplex, triplex, quadplex, and multifamily buildings, in areas of opportunity;

(ii) revising or eliminating off-street parking requirements to reduce the cost of housing production;

(iii) revising minimum lot size requirements, floor area ratio requirements, set-back requirements, building heights, and bans or limits on construction that allow for denser and more affordable development;

(iv) instituting incentives to promote dense development for communities where increased density is needed;

(v) passing zoning overlays or other ordinances that enable the development of mixed-income housing;

(vi) streamlining regulatory requirements and shortening processes, increasing code enforcement and permitting capacity, reforming zoning codes, or other initiatives that reduce barriers to increasing housing supply and affordability;

(vii) eliminating restrictions against accessory dwelling units and expanding their by-right use;

(viii) using local tax incentives or public financing to promote development of attainable housing;

(ix) streamlining environmental regulations;

(x) eliminating unnecessary manufactured-housing or cooperative housing regulations and restrictions;

(xi) minimizing the impact of overburdensome energy and water efficiency standards on housing costs; and

(xii) other activities that reduce the cost of construction, as determined by the Secretary.

(5) Grants

(A) In General – The Secretary shall not make fewer than 25 grants on an annual basis (unless amounts appropriated to provide grant amounts consistent with subsection (b) are insufficient, in which case fewer grants may be awarded), with strong consideration of different geographical areas and a relatively even spread of rural, suburban, and urban communities.

(B) Limitations on Awards – No grant awarded under this paragraph may be –
(i) more than \$10,000,000; or
(ii) less than \$250,000.

(C) Priority – When awarding grants under this paragraph, the Secretary shall give priority to an eligible entity that has –
(i) demonstrated the use of innovative policies, interventions, or programs for increasing housing supply; and
(ii) demonstrated a marked improvement in housing supply growth, as needed.

(D) Grant Administration and Terms - Projects assisted under this section for activities described in sector 23 of the North American Industry Classification System shall be treated as projects assisted under the Community Development Block Grant program under title I of the Housing and Community Development Act of 1974 ([42 U.S.C. 5301](#) et seq.).

Subsection (d): Sunset

The program established under this section shall terminate on the date that is 7 years after the date of enactment of this Act.

Subsection (e): Authorization of Appropriations

(1) In General – There is authorized to be appropriated to carry out this section \$200,000,000 for each fiscal years 2027 through 2031.

(2) Adjustment – The amount authorized to be appropriated under paragraph (1) shall be adjusted for inflation based on the Consumer Price Index for all Urban Customers published by the Bureau of Labor Statistics of the Department of Labor.

GENERAL PROVISIONS

Subsection (a): Definitions

(1) Attainable Housing – means housing that serves households earning not more than 120 percent of the area median income, if the majority of the housing units are affordable to households earning not more than 60 percent of the area median income.

(2) Eligible Entity – means

(A) a metropolitan city or urban county, as those terms are defined in section 102 of the Housing and Community Development Act of 1974 ([42 U.S.C. 5302](#)), that has demonstrated an objective improvement in housing supply growth, as determined by the Secretary, whose methodology for determining such growth is published in the Federal Register to allow for public comment not less than 90

days before the date on which the notice of funding opportunity is made available; or

(B) a unit of general local government or an Indian tribe, as those terms are defined in section 102 of the Housing and Community Development Act of 1974 ([42 U.S.C. 5302](#)), that 26 has demonstrated an objective improvement in housing supply growth, as determined by the Secretary, whose methodology for determining such improvement is published in the Federal Register to allow for public comment not less than 90 days before the date on which the notice of funding opportunity is made available.

(3) Secretary – means the Secretary of Housing and Urban Development (HUD).

Subsection (c): Rules of Construction

Nothing in this section shall be construed –

(1) to authorize the Secretary to mandate, supersede, or preempt any local zoning or land use policy; or

(2) to affect the requirements of section 105(c)(1) of the Cranston-Gonzalez National Affordable Housing Act ([42 U.S.C. 12705](#)(c)(1)).