

# National Housing Emergency Act of 2026

## Briefing Paper for CEDS Committees and Regional Leadership

### EXECUTIVE SUMMARY

The National Housing Emergency Act of 2026 represents one of the most consequential shifts in federal housing policy in modern history. It does not treat housing primarily as an affordability challenge or a social service concern. Instead, it redefines housing as economic infrastructure that is essential to national stability, workforce participation, and long-term growth.

By directing the President to declare a national housing emergency and by expanding the Defense Production Act to include residential construction and rehabilitation, the bill places housing in the same policy category as energy systems, defense manufacturing, and critical supply chains. This reframing authorizes the federal government to move beyond incentives and subsidies and into direct coordination of production capacity, material supply, and regulatory structure.

The legislation restructures the relationship between federal funding and local land use authority. Through the Pro-Growth Requirement, eligibility for certain federal block grants becomes dependent on demonstrated housing growth and the removal of structural barriers to development. Housing production is no longer treated as a discretionary local objective. It becomes a condition of federal partnership.

The bill also substantially alters the regulatory environment surrounding housing development. Environmental review processes are streamlined or suspended for certain federally funded housing projects. Duplication-of-benefits rules are relaxed. Buy America waiver timelines are shortened and made automatic in certain circumstances. These changes are designed to reduce delay, uncertainty, and transaction cost, reflecting a policy judgment that the harm of housing underproduction now outweighs the risks of regulatory compression.

For states and local governments, this bill introduces a new federal standard that prioritizes housing production outcomes over regulatory discretion during the emergency period. Land use authority remains local in form, but not fully in effect. Local decisions that impose a substantial burden on housing construction or rehabilitation become vulnerable to federal preemption and legal challenge.

For Michigan and the Upper Peninsula, the legislation would elevate housing supply to a central economic development issue. Federal transportation and infrastructure funding would become increasingly connected to housing outcomes. Manufactured and modular housing would gain strategic importance. Regional coordination and technical assistance would become essential tools for compliance and documentation.

For programs such as Community Development Block Grant funding, the bill would transform both function and philosophy. CDBG would shift from a flexible community development resource into a core housing production accelerator and a mechanism of housing accountability.

In sum, this legislation does not introduce a new housing program. It establishes a new federal operating framework for housing production, land use governance, and economic development alignment.

## SECTION 1. WHY THIS BILL IS DIFFERENT AND WHY IT EXISTS

The National Housing Emergency Act of 2026 begins from the premise that the housing shortage is no longer a localized, cyclical, or purely market-driven problem. It is a structural national crisis with direct implications for economic stability, inflation, labor mobility, and national security.

Historically, federal housing policy has relied on incentives, subsidies, and voluntary coordination with state and local governments. This bill departs from that tradition. It asserts that the scale and persistence of housing underproduction now justify the use of emergency authorities and the restructuring of federal-local relationships.

The findings establish housing as the largest household expense, a major driver of inflation, a binding constraint on workforce participation, and a threat to long-term economic competitiveness. Housing shortages are framed not simply as a social problem but as a macroeconomic and national security concern.

This shift places housing alongside transportation, energy systems, water infrastructure, and broadband as foundational economic systems. It establishes that economic growth cannot proceed without adequate housing supply and that housing failure produces systemic risk.

For regional economic development, this reframing is transformative. Housing is no longer an outcome of economic success. It becomes a prerequisite for it. Workforce attraction, business recruitment, and infrastructure investment all become dependent on housing production capacity.

The bill is therefore not a programmatic expansion. It is a declaration that the existing federal housing framework is insufficient for current conditions and must be replaced with a production-oriented governance model.

## SECTION 2. HOW FEDERAL HOUSING POLICY FUNDAMENTALLY CHANGES

The most significant shift in the bill is the expansion of the Defense Production Act to include residential construction and rehabilitation.

The Defense Production Act allows the federal government to prioritize contracts, incentivize domestic manufacturing, coordinate supply chains, and stabilize pricing and availability of critical materials. Applying these authorities to housing means that housing materials and construction capacity become strategic national resources.

This moves housing policy away from a subsidy-only model toward an industrial capacity model. Instead of focusing solely on how to finance housing demand, the federal government gains authority to influence how housing supply is physically produced.

In practice, this could affect lumber, steel, concrete, modular housing production, prefabricated building components, domestic manufacturing investment, and price stabilization for construction inputs. It positions housing production as a form of national infrastructure manufacturing.

At the same time, the bill restructures the regulatory environment governing housing development. HUD-funded infill and preservation projects are exempted from federal environmental review requirements. Projects using multiple federal funding sources are limited to a single NEPA review. Duplication-of-benefits rules are suspended. Buy America waivers must be completed within 30 days or are automatically granted.

Each of these provisions targets time, cost, and uncertainty. Together, they represent a shift in governing philosophy: speed and certainty are elevated over procedural complexity. The bill expresses a judgment that delay itself has become economically harmful.

HUD is no longer only a funding administrator. It becomes an emergency housing production agency. OMB becomes a regulator of regulatory acceleration. Federal housing policy becomes outcome-driven rather than process-driven.

### SECTION 3. WHAT CHANGES FOR STATES AND LOCAL GOVERNMENTS

The Pro-Growth Requirement is the mechanism that translates federal urgency into state and local accountability.

Eligibility for certain federal block grants becomes conditional on:

1. Demonstrated year-over-year housing growth
2. Concrete actions to remove development barriers
3. Measurable housing production objectives in planning documents

The list of qualifying actions includes allowing duplexes, triplexes, and fourplexes in single-family zones; allowing accessory dwelling units on all single-family lots; reducing parking requirements; allowing manufactured housing in residential districts; enabling office-to-residential conversions; allowing single-stair buildings up to five stories; streamlining permitting timelines; establishing higher-density zoning; donating public land for housing; and using density bonuses or tax abatements.

These reforms cease to be optional modernization tools. They become compliance strategies.

Federal funding is no longer neutral with respect to land use. It becomes conditional on production outcomes and regulatory posture.

### SECTION 4. LAND USE AUTHORITY AND FEDERAL PREEMPTION

The Act prohibits state or local regulations that impose a substantial burden on housing construction or rehabilitation during the emergency period.

This creates a new federal standard in land use law. It does not specify which regulations are prohibited but establishes a performance threshold that prioritizes housing production.

The ambiguity of “substantial burden” means courts would likely become involved in interpreting local regulatory authority. Over time, this could create a new body of federal housing preemption doctrine.

Local land use authority remains intact in form, but not absolute in effect.

### SECTION 5. BUILDING CODES AND CONSTRUCTION STANDARDS

Housing need only comply with the 2009 International Residential Code or HUD manufactured housing standards.

This standardization limits cost escalation, simplifies approval, enables modular and manufactured housing deployment, and reduces regulatory fragmentation.

The bill prioritizes production volume and speed over incremental performance optimization.

## SECTION 6. IMPLICATIONS FOR MICHIGAN AND THE UPPER PENINSULA

Michigan would see housing outcomes directly linked to infrastructure funding eligibility. Zoning reform would shift from voluntary modernization to funding protection.

In the Upper Peninsula, thin development margins make regulatory simplification particularly impactful. Manufactured and modular housing gain strategic importance. Regional coordination becomes critical. Appeals processes become essential due to limited market capacity.

Housing supply becomes a workforce strategy, not just a housing strategy.

## SECTION 7. HOW CDBG IS TRANSFORMED

CDBG changes in three ways:

First, duplication-of-benefits rules for housing are suspended, allowing deeper subsidy stacking.

Second, federal environmental review requirements for HUD-funded housing are largely removed, accelerating project timelines.

Third, eligibility becomes indirectly performance-based through the Pro-Growth Requirement.

CDBG shifts from community development flexibility to housing production accountability.

## SECTION 8. WHY THIS MATTERS FOR CEDS STRATEGY

The CEDS must treat housing production capacity as economic infrastructure.

Workforce development, business attraction, infrastructure investment, and land use reform become inseparable from housing outcomes. Economic development becomes spatial and physical as much as financial and labor-based.