

The 21st Century ROAD to Housing Act

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A Policy Meme Codified

Earlier this year, we commented on “housing affordability” as a new and powerful policy meme. Policy memes emerge when the complex work of defining an issue and assessing its importance happens organically as ideas evolve and coalesce, often into catchphrases that carry far more meaning in the current environment than they would if dropped nakedly into some other moment in history.

Commentators and policymakers have invoked the meme of housing affordability with growing frequency in recent years, and a flurry of legislative proposals and even a White House executive order have proposed solutions. The meme’s work culminated at the federal level when the 21st Century ROAD to Housing Act became law on July 11. Its comprehensive popularity was evidenced by the fact that it passed the Senate 85-5 and the House 358-32. It was not signed into law, as the White House hoped to leverage its popularity to get other legislation approved, but neither did the President veto it, so it ultimately became law without his signature.

A Focus on Housing Supply

The ROAD Act is twelve titles drawing on provisions from more than sixty previously introduced bills. It is, in essence, a collection of good ideas that weren’t going to pass on their own but that, bundled together, attracted enough support to become law. In many ways, it was a rare and special achievement by Congress.

The initiatives are each helpful, though whether their collective impact will be material or not is uncertain. They range from regulatory streamlining for housing projects and factory-built homes, to incentive funds for communities, to restrictions on institutional purchases of single-family homes, to regulatory relief for community banks.

Generally, these provisions target housing supply. Notably, the ROAD Act does little on the demand side of the ledger. It promotes a pilot program for FHA-backed loans under

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\$100,000, and it commissions studies about the scarcity of small-dollar mortgages. But these are modest and in some ways a nod to the fact that the exceptional policymaking of decades past has produced in America the world's most robust home-loan market. More importantly, it is recognition that demand is not the problem. There are plenty of willing buyers of starter homes, even with interest rates where they are. It is the need for more actual homes that is the problem.

Imperfect Tools for Building the Infrastructure

The ROAD Act is promising in that it gives new tools to home builders and the banks that finance them. However, it does little to address what in many instances is the gating issue: infrastructure. Traditionally, developers rely on local government to make water, sewer and power accessible. But these are heavy financial lifts that could involve bonding where residents are asked to share in the gamble that the development will be successful. That is a tough sell at least for current residents.

One variation that is intended to both empower developers and keep the debt burden with the property owners who ultimately benefit is the public infrastructure district, or PID. PIDs and their cousins have been instrumental in home building for decades in many states, but periodic failures have resulted in criticism. In Utah, a state with a significant need for home building, PIDs came along a few years ago and have proliferated. At the same time, they have been controversial. The Utah State Auditor has questioned their appropriateness and how they are reported. In August, she announced she would be hosting the SEC in a visit to the state "regarding their concerns" with PIDs.

In short, there continues to be a lot happening on the housing policy front. Thanks to the meme's work, most everyone agrees that housing affordability is crucial, but whether we have the right tools in place is an open question. As usual, given the stakes, it is worth watching how it all plays out.

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