A Closer Look

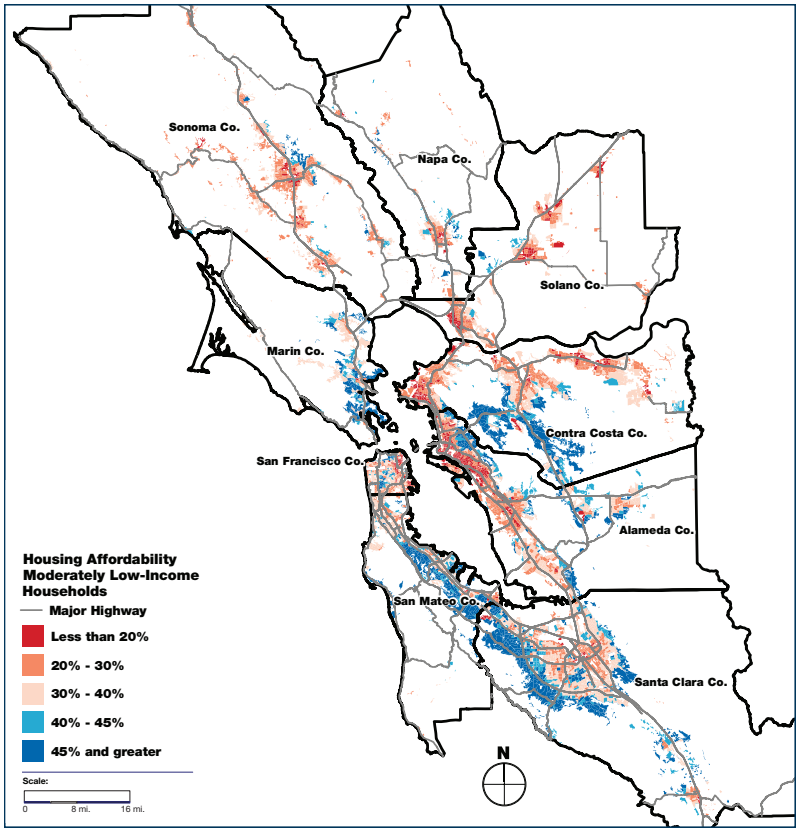
Bay Area Housing and Transportation Affordability

November 2009

In developing the San Francisco Bay Region's long-range Transportation 2035 Plan, the Metropolitan Transportation Commission (MTC) pursued a performance objective to reduce the combined cost of housing and transportation as a share of household income by 10 percent from today's level for low- and moderately low-income households. The objective was set out of concern that these families find it increasingly difficult to make ends meet given rising housing and transportation costs in the region. The burden of high housing and transportation costs affects people's ability to accumulate savings and create wealth, and keeps low- and moderately low-income workers from finding housing in proximity to their jobs, further exacerbating the toll of high housing and transportation costs.

Finding that investments in transportation infrastructure alone did little to impact affordability over the 25-year timeframe of the Transportation 2035 Plan, MTC asked the Center for Neighborhood Technology (CNT) to prepare a neighborhood-scale Housing + Transportation Affordability Index (H+T℠ Index) Study. This analysis was prepared to better understand — at a detailed, neighborhood level — variations in housing and transportation affordability based on location, and to begin to frame how the region might address this challenge going forward. This report summarizes the findings produced by that analysis.

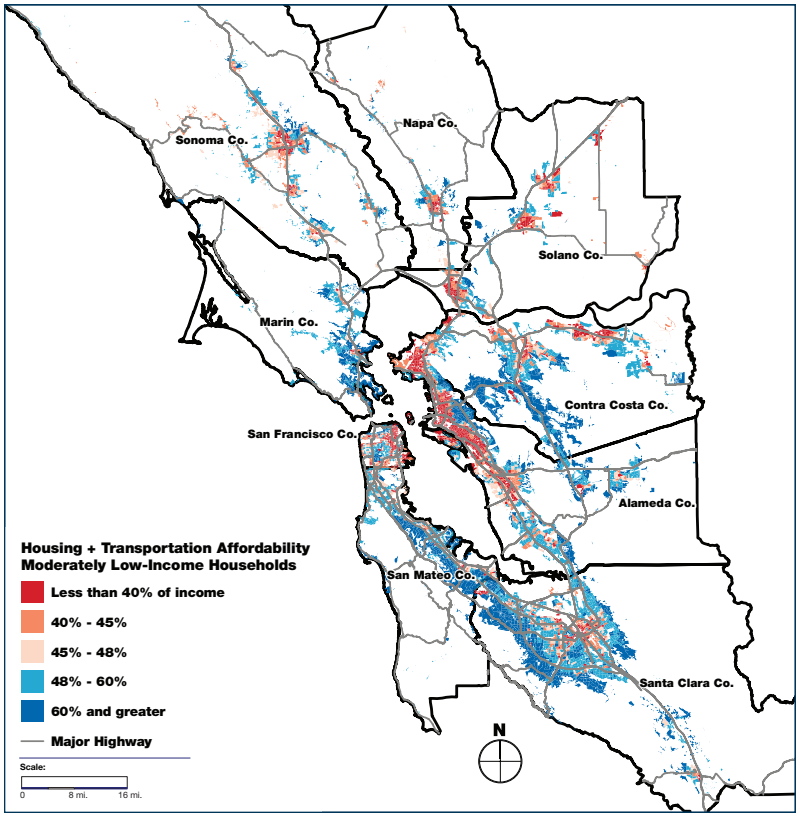
CNT introduced the H+T Affordability Index in 2006 as a tool to document the cost of housing and its true affordability by calculating the transportation costs associated with a home's location. While traditional measures of affordability focus only on housing costs as a share of income, the H+T Affordability Index prices the tradeoffs that buyers and renters make between housing and transportation expenses when choosing where to live. CNT recommends that the combined cost of housing and transportation consume no more than 48% of a household's income. This recommendation is derived by adding the conventional definition of housing affordability at 30% of income to the 18% of income that the average household spends on transportation costs.



Source: MTC, U.S. Census, colorbrewer.org, Center for Neighborhood Technology, 2009

Map 1 (above): A conventional view of housing affordability reveals that average housing costs in many communities place them out of reach of moderately low-income households. Affordable housing appears to be located in the ring of communities bordering the San Francisco Bay and in outlying ex-urban communities.

Map 2 (right): The number of communities affordable to moderately low-income households ($35,000 to $60,000 per year) shrinks considerably when transportation costs are added to housing costs and the 48 percent H+T affordability standard is applied.



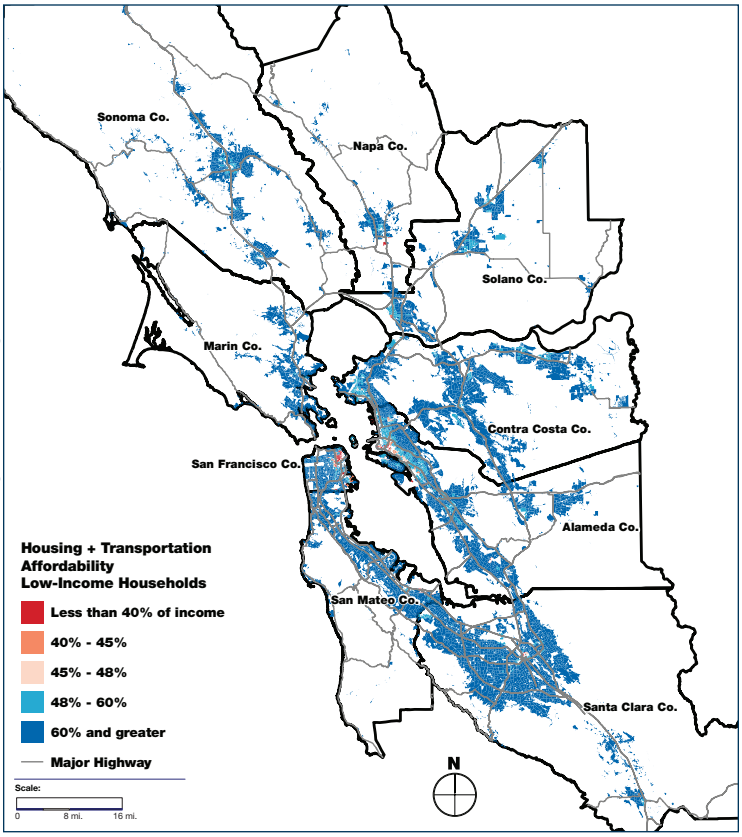
Source: MTC, U.S. Census, colorbrewer.org, Center for Neighborhood Technology, 2009

Key Findings

Identifying Affordable Communities

- For moderately low-income households earning between $35,000 and $60,000 per year in 1999, the Bay Area looks affordable when viewed from the conventional perspective of housing costs that consume no more than 30 percent of income. Almost 1.2 million dwelling units (49 percent of the region's occupied stock) are located in neighborhoods with average housing costs fitting this definition (Map 1).
- However, far fewer Bay Area communities can be considered affordable to moderately low-income households when screened for housing plus transportation (H+T) affordability (see Map 2). Although the H+T view captures an additional 50,000 residential units in the neighborhoods considered affordable under the H+T definition, the units are concentrated in a smaller number of communities, limiting where these families can choose to live.

The burden of high housing and transportation costs affects people's ability to accumulate savings and create wealth, and keeps low- and moderately low-income workers from finding housing in proximity to their jobs



Source: MTC, U.S. Census, colorbrewer.org, Center for Neighborhood Technology, 2009

Map 3 (above): Low-income households in the Bay Area earning $35,000 per year have very few options for keeping their combined housing and transportation costs below 48 percent of income.

- For low-income households earning less than $35,000 per year in 1999, the combined cost of housing and transportation places the vast majority of Bay Area municipalities beyond their reach (Map 3). Only 94,000 of the region's housing units (less than 4 percent of the region's total) are located in neighborhoods affordable to low-income households; these neighborhoods are mostly concentrated in eastern San Francisco and parts of Oakland, placing even greater constraints on where low-income families can choose to live compared to the options available to higher-income families.

Transportation Cost Factors

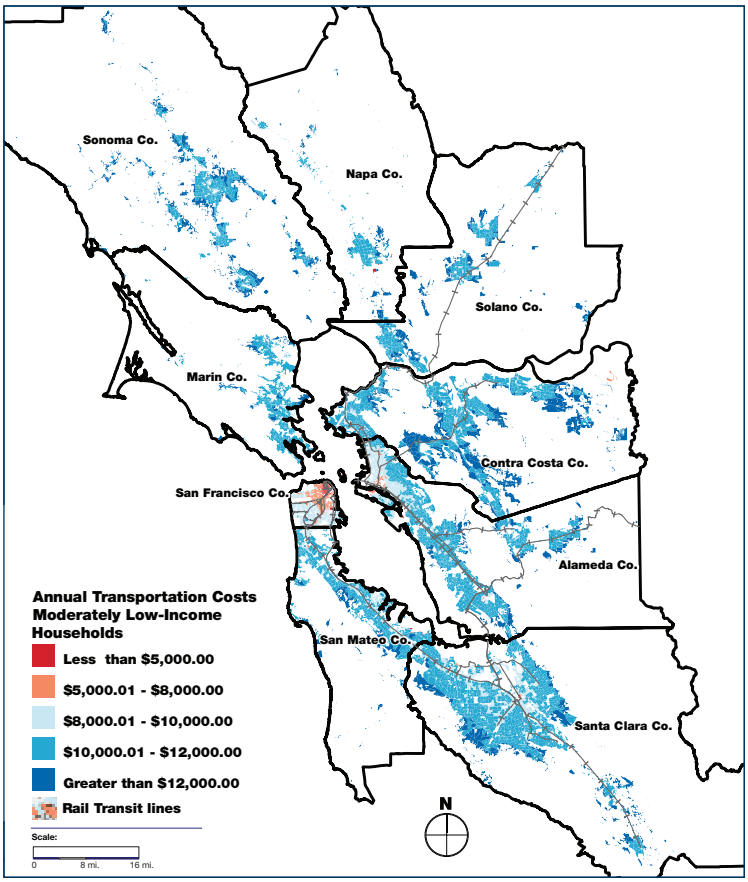
- Transportation costs average $10,219 annually in the Bay Area but are lowest in the region's urban core and along transportation corridors (Map 4).
- Volatile gas prices most affect the household finances of residents living in the exurbs, where people often live far from work and drive the most miles per year per household. Gas prices also affect urban households located in more auto-dependent neighborhoods.

Only 94,000 of the region's housing units (less than 4 percent of the region's total) are located in neighborhoods affordable to low-income households

- At an average annual cost of $5,000 per vehicle, car ownership constitutes the single biggest expense within most households' transportation budgets and covers only auto payments and insurance, not gas or repairs.

Tracking and Addressing Affordability

- One effective way to monitor H+T affordability over time is to track production of affordable housing specifically located near major transit stations and hubs. Currently production is tracked only by municipality.
- CNT estimates that if one in four of low- and moderately low-income homes that obtained a construction permit between 1999 and 2006 in cities with major transit stations had enabled their occupants to reduce car ownership by one car per household, $132.5 million in disposable income for these lower-income households would have been created just from reduced auto-ownership costs.



Source: MTC, U.S. Census, colorbrewer.org, Center for Neighborhood Technology, 2009

Map 4 (above): Transportation costs are lowest in the region's urban core, which features the most extensive transit service, highest densities and best access to a blend of amenities and employment centers, as well as along the region's rail lines.

- Both housing and transportation costs vary by location and solutions to address H+T affordability concerns should be tailored to local conditions.

For more information on housing and transportation affordability in the Bay Area, visit MTC's Smart Growth page: ***http://www.mtc.ca.gov/planning/smart_growth/***

Metropolitan Transportation Commission

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA
94607-4700

TEL 510.817.5700
FAX 510.817.5848
E-mail info@mtc.ca.gov
Web www.mtc.ca.gov/planning