



True Affordability and Location Efficiency

H+TSM Affordability Index



What is the H+T Index:

The price tag on a house is often the determining factor for families when they choose where to live. People often drive far from metro centers in search of affordable rents and mortgages and opt to settle in communities with lower housing costs. This “drive ‘til you qualify” trend has encouraged outward sprawl around our nation’s cities as Americans pursue housing that fits their budget.

But the true cost of a house is not reflected in its price tag alone. Buyers and policy-makers often do not consider the transportation costs associated with a home’s location. For most families, transportation is the second biggest household expense and, although it is directly impacted by where we live, it does not factor into current measures of housing “affordability”.

CNT’s Housing and Transportation (H+TSM) Affordability Index and its accompanying guide, *Penny Wise Pound Foolish*, show us that the traditional measure of housing affordability is inherently flawed. **Under the conventional definition, 30% or less of household income, 69% of U.S. communities have average housing costs that are considered “affordable” to the typical household.** But in almost all metro regions of the country, when the definition of affordability includes both housing and transportation costs (at 45% of income), the number of communities considered affordable for typical households plummets, often dramatically. **Across the country, only 40% of U.S. communities are affordable to the typical household when transportation costs are included.** Despite these dramatic statistics, many communities with compact development and access to transit options have average transportation costs of 15% of income or less, demonstrating that such rates are achievable with the right mix of planning and public investment.

The H+T Index provides a more complete picture of relative living costs in 337 metro areas across the country by taking into account the transportation costs associated with the location and design of

neighborhoods. The Index encompasses 161,000 neighborhoods – 80% of the U.S. population – and provides the nation’s most comprehensive assessment of household transportation costs by location. By revealing these hidden transportation costs, and their wide variation within regions, **the H+T Index gives consumers the opportunity to make more informed decisions about where to live and provides government the tools to create policies and direct investments in support of communities that can reduce transportation costs.**

What We Found:

By redefining affordability as 45% of income for both housing and transportation costs, the H+T Index reveals which communities in the United States are truly affordable. Factoring in transportation costs produces a net loss of **48,000 communities considered affordable by the conventional housing only measure.**

In more than 300 metro regions, combined housing and transportation costs are lower in central cities and more compact suburbs that have mixed residential and commercial neighborhoods, a wide range of transportation options, and pedestrian-friendly streets. For example, New York, NY (among large regions), Jersey City, NJ (among medium-size regions) and, Champaign--Urbana, IL (among small regions) are places with the highest percent of households living in areas with the lowest transportation cost. In contrast dispersed neighborhoods far from employment and other amenities, with little or no transit, are generally less affordable to the average income family when transportation costs are considered.

The H+T Index redefines affordability by taking into consideration “location efficiency.” Compact neighborhoods with walkable streets, access to transit, and a wide variety of stores and services have high location efficiency. They require less time, money, and greenhouse gas emissions for residents to meet their everyday travel requirements. These savings add up for households and communities.

Why This Matters:

A typical household's transportation costs can range from 12% of household income in location efficient neighborhoods to more than 32% in inefficient locations. In some far exurbs, transportation can cost more than shelter. Greenhouse gas emissions fluctuate too, depending on household reliance on costly, carbon-intensive automobile travel. While houses further from metro centers may appear more affordable at first glance, the cost of getting to jobs and simply getting around reveals they are more expensive places to live than inner ring suburbs or communities along public transportation corridors.

By factoring transportation into the housing affordability equation, the H+T Index reveals that **the current pattern of sprawling development and lack of public transportation options is neither affordable for a large number of families nor environmentally sustainable.** The hidden costs of car ownership coupled with the unpredictability of gas prices can place families in a more precarious financial position which results in unstable household budgets, lack of savings, and even foreclosure.

People who move to the most recently built development at their region's edge for the savings are in for sticker shock: a new home might only cost \$15,000 per year, but if it is a two wage-earner family with a teen, owning three cars and driving 35,000 miles a year, the sum of housing and transportation can cost 77 percent of median income. In contrast, choosing to live in a location where only one car is

needed with a home that costs \$21,000 a year can reduce that same family's H+T exposure to 50 percent or less creating greater economic security during economic downturns like the present.

More broadly, development in the U.S. has followed an unsustainable pattern of outward sprawl that lacks the basic ingredients for reducing the cost of living: density, neighborhoods with a mix of uses and a community design that caters to pedestrians, cyclists and transit riders as much as it does to the car. Analysts predict a record three million homes will be threatened with foreclosure this year. **The failure to provide Americans with compact neighborhoods that support pedestrians and cyclists as well as drivers places many households and communities across the country at risk.**

What We Recommend:

Policymakers can use the H+T index to adopt a broader definition of affordability that encompasses transportation as well as housing and to disclose the average transportation costs associated with neighborhoods so consumers can make informed housing decisions. Proposed policies and investments should be screened for their potential impact on affordability under the H+T standard. And finally, public investments should be targeted to lower the sum of housing and transportation costs by creating more location efficient communities—through investment in transportation options, transit-oriented development, and the creation of more compact, walkable communities.

The H+T Index is available for 337 metropolitan areas at htaindex.cnt.org

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