

Policy Briefings

Driving on Empty: The Hidden Costs Associated with “Drive ‘till You Qualify”

Redefining Housing Affordability: The Overlooked Linkage between Transportation and Housing

This issue of Policy Briefings provides an understanding of the important link between housing and transportation and the framework for developing a new quantitative standard for housing and transportation affordability. Housing affordability is generally defined as the capacity of households to consume housing services and, specifically, the relationship between household incomes and prevailing housing prices and rents. The standard most frequently used by various units of government is that households should spend no more than 30 percent of their income on housing costs. This is the standard definition for housing programs administered by the Department of Housing and Urban Development (HUD) and most state programs. However, as the following report examines, the definition of housing affordability needs to be broadened to include both transportation and housing costs. Rising fuel prices and longer commutes have placed working families in a more precarious financial position which can result in unstable household budgets, unpaid mortgages and even foreclosures. In fact, a more comprehensive housing affordability index in the Great Recession should factor in loss of equity and credit, job loss and transportation costs. New quantitative measures of housing affordability should be combined with land use development policies that encourage transit-oriented development and the creation of more compact and walkable communities. The post-bubble housing market in Miami-Dade County and South Florida is far more complex than what existed during the height of the residential boom period. Public officials should recognize that the expanding housing and transportation burden may be “crowding out” disposable income available for public and private consumption, and force current residents to consider outmigration to other, more affordable venues.

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The FIU Metropolitan Center's *South Florida Regional Housing Needs Assessment* cited the increasing trend of working families moving to locations which offered more affordable housing opportunities. The so-called “drive ‘til you qualify” trend was clearly evident during the housing bubble era in South Florida with St. Lucie and South Miami-Dade counties serving as the distant poles of the ‘nearly’ affordable housing market.

The price tag on a house is often the determining factor for families when they choose where to live. Families and individuals often drive far from metropolitan centers in search of affordable rents and mortgages and choose to settle in communities based on lower housing costs. However, the true cost of a home is not reflected in its price tag alone. Buyers and policy-makers often do not consider the transportation costs associated with residence location. In fact, for most families transportation is the second biggest household expense, and while it is directly determined by where we live, it is not typically factored into traditional measures of housing affordability.

A number of housing studies in recent years have shown a clear correlation between workforce housing demand and transportation costs. The critical link between housing and transportation costs has significant implications with respect to housing choice and affordability. Housing and transportation costs can severely limit a working household's choice both in terms of housing and job location. The link between housing affordability and transportation expenditures has been further impacted by the increase in gas prices to nearly \$4.00 per gallon in the past year. In fact, the average household has increased its transportation expenditures by 14 percent or \$1,200 per year. Rising gas and overall transportation costs have significant impacts on both homeowners and renters. The location of affordable rental housing is particularly relevant as proximity to job centers and access to transit is vital to a renter dominated workforce principally comprised of low- and moderate-income households.

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The hidden costs of car ownership coupled with the unpredictability of gas prices can place families in a more precarious financial position which can result in unstable household budgets, unpaid mortgages and even foreclosures. The Center for Neighborhood Technology (CNT) has produced a housing and transportation index (the "H+T Index") which has been advocated by Secretary of Housing and Urban Development (HUD) Shaun Donovan and Secretary of Transportation Ray LaHood. The H+T Index and its accompanying guide, *Penny Wise Pound Fuelish*, demonstrate the inadequacy of traditional measures of housing cost burden. While housing alone is traditionally considered affordable when consuming no more than 30 percent of income, the H+T Index limits the combined costs of transportation and housing consuming to no more than 45 percent of household income. Why does this matter? According to CNT, a typical household's transportation costs can range from 12 percent of household income in communities with compact development and access to transit options, to more than 32 percent in the far exurbs. The bottom line – lower cost housing in areas far removed from employment and with little or no transit is generally less affordable to the average income family when transportation costs are factored. In fact, CNT's study of working families in 28 metro

areas showed transportation costs are beginning to offset savings on the cost of housing when commutes reach a distance of 10 miles.¹

Unfortunately, new data show that workers have further distanced themselves from their jobs. According to the U.S. Census Bureau, the number of “extreme commuters,” those who travel ninety minutes or more each way, has reached 3.5 million, almost double their number in 1990. Statistics show that South Florida's sprawl development pattern has significantly increased commute times. In 1990, 210,802 South Florida workers commuted 45+ minutes to their place of employment. According to 2009 U.S. Census figures, that number has more than doubled to 429,963 workers. Strikingly, Miami-Dade County's number of “extreme commuters” more than tripled during this time.

Interestingly, data show that longer commute times and increasing housing and transportation costs in Miami-Dade County have not appreciably altered the means of travel to work. Workers in the county continue to rely on their automobiles and show a higher percentage of use than other eastern metropolitan areas. It should be noted, however, that the Boston and Philadelphia metropolitan areas have well-established premium transit services.²

County - Central City	Travel Time to Work			Means of Travel to Work					
	% households 45min+			Auto			Transit		
	1990	2000	2009	1990	2000	2009	1990	2000	2009
Miami-Dade County - Miami	13%	21%	22%	90%	91%	90%	5%	5%	6%
Philadelphia County - Philadelphia	20%	24%	22%	59%	63%	62%	29%	26%	26%
Suffolk County - Boston	14%	20%	19%	54%	55%	52%	31%	32%	31%
Fulton County - Atlanta	15%	19%	16%	83%	87%	86%	13%	7%	9%

Source: U.S. Census 1990, 2000, 2009; table prepared by Metropolitan Center at FIU.

¹ Center for Neighborhood Technology, *Penny Wise Pound Fuelish*, 2010.

² Note: According to a *Miami Today* article dated August 11, 2011, Miami-Dade Transit has reported a 7.38% boost in ridership in June, 2011 which they correlate to the rise in gas prices.

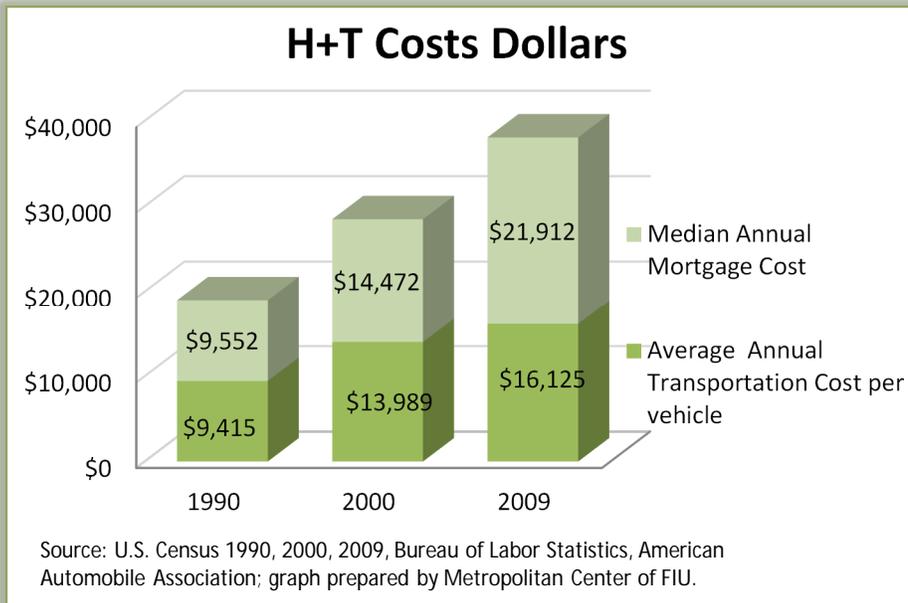
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New figures show that Miami-Dade County’s working families and households have experienced mounting housing and transportation costs during the past decade. Despite declining home prices since the

housing market downturn, the current \$227,200 median value of all owner occupied units in Miami-Dade County represents a 124 percent increase since 2000. Further, the County’s \$1,826 median monthly owner costs with a mortgage in 2009 represents a 51 percent increase since 2000. As a consequence, the number of cost burdened homeowners with a mortgage in the County has increased from 32 to 42 percent.

According to the H+T Affordability Index, Miami-Dade County’s median monthly housing costs as a percentage of household monthly income is 34.9 percent. However, when transportation costs are combined with housing costs, the percentage of household income increases to 57.9 percent, far above the 45 percent H+T Affordability Index threshold.



Policy Implications

As reported in several recent FIU Metropolitan Center housing studies, the post-bubble housing market in Miami-Dade and South Florida is far more complex than what existed during the height of the residential boom period. These studies concluded that increasing levels of affordability for existing single-family and condominiums brought on by the collapse of the housing bubble has not improved overall housing affordability for existing owners and renters alike. This is due to a number of contributing factors including loss of equity, prolonged job loss, persistently high average rents and rising transportation costs.

Policymakers will need to broaden the definition of affordability to encompass both transportation and housing costs. Public investments should be targeted to lower combined housing and transportation costs by creating more location efficient communities including transit-oriented development, mixed-use and the creation of more compact and walkable communities. In essence, transportation costs are more susceptible to reduction than housing costs.

Policymakers should then consider developing new quantitative standards for combined housing and transportation affordability and efficient housing. The general definition of a location-efficient area is one that is well-served by transit, and is conducive to biking, walking and other modes of transportation. The empirical definition might be based on the proportion of trips captured by non-driving modes, adjacency to a well-served transit station (light-rail or streetcar station or frequent bus service), proximity to employment, retail and other services.

Further research could also be conducted to determine the effect of different housing location decisions on household expenditures, including transportation, food and entertainment. For example, surveys and interviews of specific targeted households calculating how their spending distribution differs on the basis of their residential location would provide valuable information to help guide land use and transportation planning.