



## Background, Outline, Emerging Themes, and Implications for Housing and Transportation Policy

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## GUEST EDITORS' INTRODUCTION

# Background, Outline, Emerging Themes, and Implications for Housing and Transportation Policy

Housing costs are the single largest expense for households in the United States whereas transportation costs rank second. Standard measures have classified housing as affordable if housing costs do not exceed 30% of a household's income. However, for decades, there has been the realization that housing costs are closely linked with transportation costs, and both should be included in measures of affordability. In 2006, the Center for Neighborhood Technology (CNT) and the Center for Transit Oriented Development (CTOD) released the Housing + Transportation (H+T) Affordability Index which included both housing and transportation costs. CNT argued that discussing housing affordability without considering transportation costs was misleading because in many regions households seeking affordable housing in distant locations creates unreasonable transportation costs. A better measure therefore is location affordability which takes into account both. CNT and others have recommended households spend no more than 45% of their incomes on H+T costs.

Lower income households have the hardest time finding housing in locations where their combined H+T costs are below the recommended threshold. For example, in its report *Out of Reach 2016: No Refuge for Low Income Renters*, the National Low Income Housing Coalition found that there is no county in the country where a worker earning the minimum wage can afford a two-bedroom apartment without spending more than 30% of their income on rent and utilities (Yentel et al., 2016). The Center for Housing Policy and CNT reported that H+T costs have risen for low- and moderate-income households, and transportation costs can often drive the difference in affordability within and between metro areas (Hickey et al., 2012).

Recently, new data became available on housing and transportation costs. Building off prior work by CNT and CTOD and facilitated by the Partnership for Sustainable Communities, an interagency partnership between the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Transportation (DOT) and the U.S. Environmental Protection Agency (EPA), HUD launched the Location Affordability Portal, which includes the Location Affordability Index (LAI). The LAI allows researchers, planners and others to examine how housing and transportation costs impact overall affordability in different places and for different household types. Although there are limitations to the LAI data, the index provides a new resource for examining location efficiency.

In 2014, HUD approached the editors of *Housing Policy Debate*, encouraging the Journal to take on a special issue focusing on location affordability. The academy responded resoundingly with over 40 abstracts submitted. In the end, this project has resulted in a double issue with 15 peer-reviewed articles on the topic. Every article in this special issue advances the understanding of location affordability. Not all of the studies included in this special issue utilize the LAI data, and most that do combine the LAI data with other local socioeconomic and geographic indicators. The result is an issue of *Housing Policy Debate* that expands knowledge of location affordability and provides direction for researchers on future research on the relationship among affordability, opportunity, and policy.

## **Special Issue Outline**

In the first article, Haas, Newmark, and Morrison present a detailed analysis of their work that resulted in the current version of the LAI, in “Untangling Housing Cost and Transportation Interactions: The Location Affordability Index Model—Version 2.” The authors provide context for how the data for the LAI were developed, and the potential uses for the LAI including an assessment of housing affordability, impacts of policy changes, and changes in the urban environment.

The second article, “Where Does Location Affordability Drive Residential Mobility? An Analysis of Origin and Destination Communities” by Greenlee and Wilson, uses the LAI data to explore county-level residential mobility and to compare conventional measures of housing affordability with measures of affordability that include housing and transportation. The authors find that transportation affordability, as well as housing affordability, is a key element of mobility decisions.

The next set of articles addresses location affordability particularly for lower income households.

The third article, by Acevedo-Garcia, titled “Neighborhood Opportunity and Location Affordability for Low-Income Renter Families” uses LAI along with the Child Opportunity Index (COI) to assess the tradeoffs between housing and transportation affordability and neighborhood opportunity among low-income renter families in the nation’s 100 largest metropolitan areas. The author suggests additional considerations, including measures of equity, in further development of expanding housing affordability definitions.

The following articles examine the relationship between federal housing subsidies and location-efficient residential location options and choices. Three articles look specifically at the federal Housing Choice Voucher (HCV) program. In the fourth article in this special issue, “Quality of Life, Transportation Costs, and Federal Housing Assistance: Leveling the Playing Field,” Bieri and Dawkins examine HCV recipients and payment standards across the nation. The authors find that current HCV payment standards do not promote location affordability among low-income households. They suggest a modified amenity-adjusted payment standard that can reduce intermetropolitan locational inefficiencies in the HCV program.

The fifth article, by Walter and Wang, “Searching for Affordability and Opportunity: A Framework for the Housing Choice Voucher Program,” develops a housing search framework that supplements LAI data with other local housing and neighborhood data that can help housing voucher recipients find housing in transit-rich neighborhoods that are connected to opportunity more broadly.

Tremoulet, Dann, and Adkins conduct focus groups and analyze data on moves to examine whether housing voucher recipients in Portland, Oregon, increase location efficiency when moving in the sixth article, “Moving to Location Affordability? Housing Choice Vouchers and Residential Relocation in the Portland, Oregon, Region.” Analyzing outcomes separately for urban and suburban movers, the authors find that city movers actually decrease their location efficiency, whereas location-efficient characteristics either increase or remain constant for suburban movers.

The seventh article, by Lens and Reina, uses LAI and other data to examine recent and projected Section 8 and Low Income Housing Tax Credit (LIHTC) subsidy expirations in “Preserving Neighborhood Opportunity: Where Federal Housing Subsidies Expire.” The authors find that expiring Section 8 subsidies have been located in low-opportunity but improving neighborhoods, whereas the results for LIHTC properties are mixed.

In the eighth article, Nguyen, Webb, Rohe, and Estefany study neighborhood quality, residential instability, employment access, location affordability and work outcomes in a HOPE VI project in Charlotte, North Carolina. They find that, contrary to expectations, residents who were relocated to private-market units with vouchers did not always achieve better outcomes.

The ninth and tenth articles of this special issue focus on location efficiency, mortgage risk, and foreclosure. In “Location Efficiency and Mortgage Risks for Low-Income Households,” Kaza, Riley, Quercia, and Yue Tian examine mortgage risk for low- and moderate-income households in more accessible places to better understand whether the risk of default is lower in more accessible places. The authors conclude that location efficiency is a multidimensional attribute, but that the measures they use do not show a

relationship between location efficiency and lower mortgage default among low- and moderate-income homeowners. McMillan and Chakraborty's article, "Who Buys Foreclosed Homes? How Neighborhood Characteristics Influence Real Estate-Owned Home Sales to Investors and Households," analyzes the trajectory of real estate-owned (REO) sales in the Chicago, Illinois, region to better understand the role of location affordability in predicting investment activity. The authors conclude that as transportation access becomes more important within the context of affordability, planners and policymakers need to be sure to understand the impact of REO activity on affordability for low-income households.

The final set of articles in this special issue focuses on the role of transportation systems in housing affordability, with a particular focus on walkability and transit. The 11th article of the special issue, by Tighe and Ganning, "Do Shrinking Cities Allow Redevelopment Without Displacement? An Analysis of Affordability Based on Housing and Transportation Costs for Redeveloping, Declining, and Stable Neighborhoods," analyzes housing and transportation costs in redeveloping, stable, and declining neighborhoods. The authors conclude that policies that improve walkability and safety could improve overall housing plus transportation affordability in redeveloping areas.

The 12th article, by Dawkins and Moeckel, "Transit-Induced Gentrification: Who Will Stay, and Who Will Go?" examines housing affordability near transit and analyzes how transit-oriented development (TOD)-based affordable housing policies influence the intraurban location of low-income households. The authors conclude that affordability restrictions targeted to new dwellings in TOD can be effective for promoting housing affordability and income mixing in areas close to transit.

The 13th article, by Renne, Tolford, Hamidi, and Ewing, "The Cost and Affordability Paradox of Transit-Oriented Development: A Comparison of H+T Costs Across TOD, Hybrid and TAD Station Typologies," uses LAI and other data to examine variations in housing and transportation costs for households living in fixed-transit station areas across the United States, classified into a TOD–transit-adjacent development (TAD) typology. The findings reveal a paradox that whereas TODs are more expensive places to buy and rent housing, they are more affordable than station areas classified as hybrids and TADs because the lower cost of transportation costs offsets housing costs.

The 14th article, by Koschinsky and Talen, "Location Efficiency and Affordability: A National Analysis of Walkable Access and HUD-Assisted Housing," examines the extent to which HUD-assisted households have access to walkable communities. The study finds that some tenants have greater opportunities to access walkable neighborhoods with HUD assistance; however, the most disadvantaged tenants do not benefit to the same extent.

The last article, "Market Rental Housing Affordability and Rapid Transit Catchments: Application of a New Measure in Canada," by Revington and Townsend, makes use of a residual income approach to identify market rental housing that is affordable to different types of households with below-median incomes in transit areas, urban cores, inner cities, inner suburbs, and outer suburbs in Montreal and Vancouver. The results of this research suggest that a more nuanced approach to measuring affordability—that takes into account transportation and other costs, as well as household type—is warranted.

### ***Emerging Themes in Location Affordability and Implications for National, State, and Local Policy***

The 16 articles included in this special issue of *Housing Policy Debate* have taken different approaches to examining location affordability. Moving beyond simply describing combined housing plus transportation costs, the authors utilized location affordability and other data to shed light on key issues. Some of the emerging themes from this volume include the following:

- Location affordability has enabled new research on the effectiveness and potential for federal housing subsidies to connect low-income households to location-efficient neighborhoods. Articles in this special issue used location affordability and other data to better understand relationships between federal housing programs—including HCV, LIHTC, and HOPEVI—and a number of housing and neighborhood characteristics, including neighborhood quality and stability, employment

access, opportunity, relocation, expiration of subsidies, and state policy.

- Location affordability data have allowed researchers to examine mortgage risk, foreclosure, and shrinking cities to better understand the trajectories of housing affordability and opportunities in declining and recovering areas.
- Location affordability data have enabled new research on the role of travel modes, such as transit and walking, and the role of the built environment to better understand outcomes based on neighborhood typologies, such as TOD.
- Although the LAI data offer a new way of measuring housing and transportation costs, there are several limitations for utilizing these data. Researchers should continue to explore how to improve the reliability and usefulness of the LAI data.
- When combined with other local data, location affordability data are valuable for analyzing not just affordability but also accessibility and opportunities for economic mobility and individual and family wellbeing.

Findings from these research articles suggest several implications for housing and transportation policy at the national, state, and local levels.

#### Implications for National Policy

- The LAI was created through an interagency partnership among HUD, DOT, and EPA. However, funding for affordable housing and transportation remains in the silos of each agency. Although this funding structure is not likely to change, HUD could place restrictions on or provide guidance for how subsidies are allocated based on location-efficient outcomes. DOT could provide guidance to encourage more transportation infrastructure investment to better link affordable housing to transit.
- Emphasis on the characteristics that make places more accessible—including access to transit and transportation and to affordable housing plus transportation costs—is an important component of HUD's new Affirmatively Furthering Fair Housing Rule. As a result, there may be more opportunities to use LAI data to measure location efficiency and accessibility in local assessments of fair housing.
- Institutions that underwrite mortgage risk and seek to reduce foreclosures could consider location affordability in their underwriting guidelines, particularly if, in time, areas with a higher degree of location affordability prove to be less risky assets to underwrite. Many lenders follow guidance from Fannie Mae and Freddie Mac on underwriting standards, so these government-sponsored enterprises could take the lead on location-efficient underwriting.
- National affordable housing advocacy groups should think beyond just housing costs and should more explicitly consider location affordability in their policy advocacy efforts. This focus should involve collaborating across disciplines with transportation, environmental, and land-use advocates.

#### Implications for State and Local Policy

- State-level government agencies and metropolitan planning organizations (MPO) can play a large role in outcomes related to location affordability, primarily through the state's qualified allocation plans process which is used to allocate tax credits to affordable housing projects. In addition, state DOT and MPO play a large role in deciding which transportation infrastructure projects get funded. States and MPO should seek to better plan for location-efficient outcomes by requiring or incentivizing a stronger connection between transit systems and affordable housing, especially in walkable and mixed-use communities.
- Local jurisdictions across the country struggle with understanding how transportation investments will impact housing affordability. This and subsequent research on location affordability can provide more information on potential impacts and suggest solutions available to local jurisdictions for preserving and expanding affordable housing options in location-efficient areas.

In conclusion, this special issue helps build on a new and emerging dimension of research and policy debate on housing and transportation that spans the academy, government, advocates, and practitioners. For too long, the fields of housing and transportation have remained independent. The work of CNT, CTOD, HUD, and others has changed that discussion. This special issue is another step in advancing location affordability as an important topic not just to scholars, policymakers, and advocates, but ultimately to make a difference in the lives of all individuals and families that simply need to find an affordable place to live and move around their communities.

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