How Do We Know It's Affordable?

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- ULI Kansas City, November 12, 2020
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Outline

• Introduce the concept of location efficiency and why it's important

• Show how this measure helps understand the benefits of smarter growth using Kansas City and comparable regions to illustrate

• Introduce available tools to help frame meaningful conversation here
Big Systems and Small Places—Two Views, How Incumbent Institutions That Manage “Infrastructure” Judge Their Performance

What we found in Surveying State DOTs

- Community Benefits
  - More focus on community benefits
- System Benefits
  - More focus on system benefits

What we found in surveying local governments & MPOs

- Community Benefits
- System Benefits

What we found in Surveying State DOTs
What If We Planned Like This? Aiming for Balanced Investment Outcomes

- Livability
  - Health
  - Land & Resource Use
  - Environment & Climate Resilience
  - Accessibility & Walkability

- Economic Development
  - Fiscal Impacts
  - Development
  - Long-term Jobs

- Cost Effectiveness & Benefit-Cost
  - Equity
  - Value Capture
  - Cost of Living

- System Condition and Performance
  - Short-Term Jobs
  - Travel Time & Costs
  - Operational Costs
  - Systems Accessibility

- System Conditions
  - Connectivity
  - Safety
It’s Not That The City or the Region Can’t Afford to Think Like This...

Over the next 30 years the residents of

- KCMO will spend $87 Billion ($11,650/HH/Year)
- Missouri Cong. District 6 will spend $60 Billion ($14,840/HH/Year)
- Your metro region will spend $320 Billion ($13,440/HH/Year)

(Assuming no growth in population or in transportation costs)
REDEFINING AFFORDABILITY TO INCLUDE TRANSPORTATION
CONVENTIONAL WISDOM:
30% OF INCOME ON HOUSING
H+T Costs = 54, Transportation = 18, Health = 8.6 for HHs Earning $40,000 - $50,000

BLS 2016 Consumer Expenditure Survey
Another Approach
Indexing Truer Affordability and
Also Relating it to Climate Change

How Housing Affordability is
Usually Calculated—Then and
Now

• Historically: Traced to 19th Century
  ideal—A Week’s Pay for a Month’s Rent
• Today benchmark affordability is
defined as housing costs/Income less
than or equal to 30 Percent of target
population AMI
• Problem—Doesn’t include cost of
  transportation

https://htaindex.cnt.org
CONVENTIONAL WISDOM— AFFORDABILITY = 30% OF INCOME ON HOUSING

AFFORDABILITY REDEFINED=45% OF INCOME ON HOUSING + TRANSPORTATION
In KC-MO, Where Can a Household Earning Median Income Afford to Live?
Looking at It Regionally…

**H+T** Two Views of Affordability

Kansas City MO

You may enter an address, city, county or zip

Map Detail:  Low (2-Color)  |  High (8-Color)

CBSA: Kansas City, MO-KS

Regional Moderate

Income: $45,910  Commuters: 1.18 workers  Household Size: 2.53 people
Block Groups: 1,533  Households: 800,071

Housing Costs % Income  33%
Range:  7 - 105

Housing + Transportation Costs % Income  58%
Range:  25 - 131
Density in KCMO--Mapped with higher scores showing as darker colors and lower densities as lighter colors
Mirror Image—Auto Ownership per Household

Kansas City MO

Municipality: Kansas City, MO

H+T Costs % Income: 44%
Housing: 23% Transportation: 21%

Autos per Household

Average: 1.67 Range: 1.10 - 2.25

Population | Household | Neighborhood
---|---|---

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<th>Neighborhoods</th>
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Autos per Household

- Regional Typical
- Regional Moderate
- National Typical

Income: $57,388 Commuters: 1.18 workers Household Size: 2.53 people
Mirror Image Again—Vehicle Miles Traveled per Household per Year

Kansas City MO
Municipality: Kansas City, MO

H+T Costs % Income: 44%
Housing: 23% Transportation: 21%

Annual Vehicle Miles Traveled per Household
Average: 19,900 Range: 13,161 - 26,114

Population | Household | Neighborhood
---|---|---
| Neighbors | % of Neighborhoods |
< 16,000 | 56 | 8.5%
16,000 - 18,500 | 88 | 20.8%
18,500 - 21,000 | 155 | 36.6%
21,000 - 26,000 | 144 | 34%
26,000+ | 1 | 0.2%
Total | 424 | 100%

Income: $57,588 Commuters: 1.18 workers Household Size: 2.53 people
If You Build It, Run It Frequently and Connect It Regionally...
They Will Ride It
Putting It All Together—Housing Costs Versus Housing + Transportation Costs Per Household as Percentage of Income for Households Earning Area Median income
As Income Drops So Does Housing + Transportation Affordability—Showing Same View for Households Earning 80 Percent of Area Median Income
In metropolitan Kansas City—

Over half of your region’s households cannot meet the benchmark upper limit of 45% for the combined cost of housing and transportation.
H+T INDEX IS USED NATIONWIDE

- California Strategic Growth Council used to allocate $120 million of cap-and-trade proceeds for affordable housing near transit.
- HUD and DOT are using to screen sustainable communities and TIGER grant applications.
- Metropolitan Planning Organizations in Bay Area, Chicago, DC and elsewhere using to re-screen, prioritize Long Range Transportation Plan investments.
- The new HUD fair housing screen uses transportation affordability and transit access.
- Metropolitan Transportation Commission in Bay Area used to justify helping capitalize Transit-Oriented Development investment fund.
- State of Illinois new act requires five agencies to screen investments.
- City of El Paso, TX now uses to direct affordable housing to areas of low transportation costs.
- Portland, others using to help create a typology of TODs that takes affordability and equity into account.
- Experimental counseling tools (Phoenix, East Bay, Chicago) link users with locally available resources – called Equity Express.
What Is Location Efficiency

• A fancy way to consistently measure local convenience and regional accessibility.

• Buildings can be energy efficient. Places can be location efficient.

• Compact neighborhoods, interconnected street networks, access to transit, mixed land uses, concentration of retail and services.

• Location Efficiency = savings for households + communities.
2009 Combined H+T Costs 10 Points Higher in the Region Than in the Transit Shed (the area within ½ mile of transit stations)
One Way to Up Your Score and Ridership Up: Increase Service Frequency
Austin TX, Performance = 5.1/10, 1619 Transit Trips, 4.5% Commuting by Transit
Seattle WA—Performance = 8.1/10, 3974 Trips, 21.6% of Commuters Riding Transit
Denver CO—Performance = 7.9/10, 3182 Trips, 7.2% of Commuters Riding Transit
Portland OR — Performance = 8.4/10, 3781 Transit Trips, 13.9% of Commuters Riding Transit
TOD:
A RESILIENT APPROACH TO GROWTH
TOD IS...

- **Location efficiency**: Dense, transit-accessible + pedestrian-friendly

- **Rich Mix of Choices**: Wide range of mobility, housing and shopping options

- **Value Capture**: Local amenities support placemaking, scorekeeping + attention to financial returns

- **Placemaking**: places for people, enriches existing qualities, makes new connections, works with landscape, builds reputation

- **Resolution of Tension between TODs as “Nodes” and “Places”**: Works to support travel networks and communities
TOD IS NOT...

- **Just for commuters**: Work-related trips just 18 percent of total travel
- **Auto-oriented transit**: Way too much land devoted to parking
- **Just a place to sleep at night**: People need to shop, eat, visit without getting in a car
- **Only the transit property**: All successful TODs are joint developments between cities, transit operators, private investor/owners, and communities
The New Real Estate Mantra
Location Near Public Transportation
National Association of Realtors
CNT and APTA, March 2013

• The transit shed outperformed the region as a whole by 41.6%
• Drop in average residential sales prices within the transit shed was smaller than in the region as a whole
• Boston station areas outperformed the region by 129%, Minneapolis-St. Paul 48%, San Francisco and Phoenix 37%, and Chicago 30%.
Skip the car, buy a house

There’s a lot of hand-wringing nowadays about suburban sprawl and the need for “smart growth.”

But like the weather, nobody’s doing much about it. Much of the home-buying public still opts for widespread spaces along the metropolitan fringe. And despite thoughtful warnings from civic and regional groups, political realities in Illinois militate against significant governmental action.

Now comes a modest but innovative pilot program that just might make a small difference. Maybe even a big difference—if it educates the public about the true cost of living “out there.”

It’s called the Location Efficient Mortgage, or LEM, and it has been developed by environmental groups such as Chicago’s Center for Neighborhood Technology along with Fannie Mae, the government-chartered, stockholder-owned repurchaser of home mortgages.

It works like this: Participating lenders, in evaluating applicants, take into consideration how close the dwelling is located to public transportation. If it’s so close the applicant can live without a car, or a working couple can get by with just one, the estimate of disposable income is increased, and with it, the size of the mortgage for which they qualify.

A couple jointly earning $60,000 and buying into Chicago’s transit-rich Edgewater neighborhood, for instance, would qualify for a home selling for $212,218. Out in the boonies, under traditional guidelines, the limit would be $158,264.

And there are sweeteners. LEMs are not subject to income limits and they offer more flexibility, including lower down payments, than conventional mortgages. The City of Chicago, moreover, is offering vouchers worth $900 toward the purchase of energy-efficient appliances to the first 100 LEM borrowers.

Downsides? There’s mandatory counseling. And for now it’s limited to Chicago and three West Coast cities.

The ultimate value of LEM, however, may be to show, in ways people readily understand, that sprawl does impose costs. Some of that cost is paid, knowingly and gladly, by those who choose to live “out there.” Much of it, however, is hidden, and paid indirectly by those who live “back here.”

For more information about LEMs call 1-800-732-6643.
Congestion Relief
- Complements existing commute flows
- Limited emphasis on development

Future Growth and Development
- Addresses future congestion
- High development opportunities on corridor

Equity
- Connects low-income neighborhoods to job centers
- Provides low-cost access relative to automobiles

Economic Development
- Placed along older arterial corridors
- Transit investment intended to spur re-development

**Not all corridors will support significant increments of new development.**

Corridors serve different roles based on defining characteristics.
$6 billion in new investment
Concentrated downtown and University Circle

Good traffic mover
Supports expansion
A Decade of Stale Incomes, Rising Costs

High, persistent and prevalent poverty
Cost of living exceeds growth in expenses
Standard approaches re subsidizing and raising income and providing supportive services, aren’t keeping up
So saving a dollar is worth as much as generating a new one and
Achieving both can start reducing poverty

Falling Behind $886/month
Avg. Income = $8,815

Falling Behind $407/month
Avg. Income = $22,630
Poverty Reduction is a Two-Sided Coin

Which Tells Us How the Region Could Cut Unemployment 2/3 While Suburban Poverty Soared
Where Do the 73,000 People in Poverty Live in KCMO

http://uoa.cnt.org
Reducing KC Poverty

By 25%, 18,166 persons, requires increasing income and/or reducing the cost of living by $5700 per person per year = $104 Million

By 100%, 73,000 persons, requires increasing income and/or reducing the cost of living by $416 Million in such “anti-poverty” benefits

Total shift required is roughly 1 percent of metropolitan GDP
Summary

Make the most of the system and assets you have

• Up your service frequency
• Embed the cost of transit service in other economic transactions (e.g. “rent includes transit”)
• Accelerate buildout of improvements (LA, Denver, Seattle, Twin Cities, etc.)

Focus on filling gaps- e.g. many job centers have no transit to speak of

• Get your incentives right- don’t subsidize job development unless it’s well served
• Make it essential for goals people increasingly care about: equity, climate, air quality, economic resilience
Thank You!

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• http://alltransit.cnt.org
• www.cnt.org/urban-opportunity-agenda
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