

Linking Housing Development and Transportation Investment



**LOUISIANA
HOUSING
ALLIANCE**

The Louisiana Housing Alliance (LHA) is a nonprofit statewide coalition working to ensure the preservation and production of quality affordable housing for low and moderate income Louisianans and those with special needs.

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Introduction

According to the United States Department of Transportation, the average American family spends more than half of their household incomes on housing and transportation. The burden for Louisiana residents equals or exceeds the national average in every congressional district, ranging from 52% in district 2 (New Orleans) to 63% in District 5 (Alexandria). Locating affordable housing near transit can significantly ease this financial burden on Louisiana families.¹

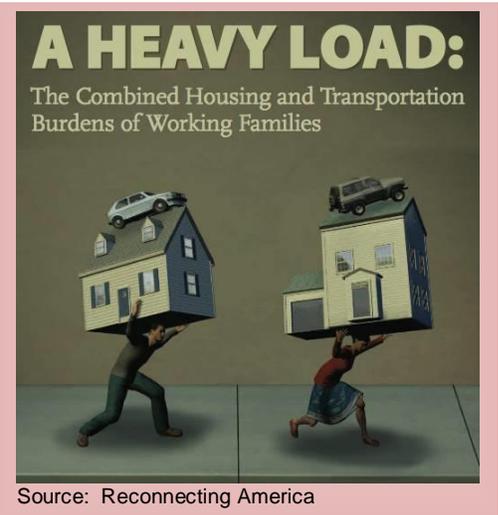
Elderly, single, and low-income households are all projected to grow rapidly in number over the next 25 years, and these are also the types of households that tend to express an interest for housing near transit.²

This demand is expected to rise significantly over the next 20 years with over 16 million households nationwide expressing an interest in housing near transit.³

In order to meet this demand, commercial development must include both housing and commercial retail properties, so that shopping, jobs, and recreation are easily accessible by foot or by transit.⁴ The prioritization of transit-accessible housing has led to a real estate trend labeled “transit-oriented development” (TOD).

Transit-oriented development includes both residential and commercial development, in order to maximize accessibility and overall affordability for households. These developments are located near transit facilities, providing people of all ages and incomes with additional housing and transportation options, and reducing the transportation costs associated with driving and maintaining an automobile.⁵

According to a survey by the National Association of Realtors, 60% of homebuyers would prefer to live in lively, livable, and walkable neighborhoods with a mix of uses that are in close proximity to transit.^{6,7}



Congress has directed the Department of Housing and Urban Development (HUD) and the Federal Transit Administration (FTA) to “better coordinate public transportation and housing policies and programs. Better planning and coordination on the federal, state and local levels can ensure that affordable housing is located closer to public transportation and employment centers.” Congress also indicated that “the preservation of affordable housing should become an integral part of transit-oriented development policies.”

Source: House Report 110-238 to the “Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Bill, 2008. July 18, 2007.

¹ Reconnecting America. 2007. Realizing the Potential: Expanding Housing Opportunities near Transit. US Department of Transportation. Federal Transit Administration.

² US Census, Profile of General Population and Housing Characteristics 2010. 2010 Demographic Profile.

³ Mixed Income Housing near Transit: Increasing Affordability with Location Efficiency. TOD21. September 2009. The Center for Transit-Oriented Development. Department of Transportation. www.reconnectingamerica.org.

⁴ Reconnecting America. 2007. Realizing the Potential: Expanding Housing Opportunities near Transit. US Department of Transportation. Federal Transit Administration.

⁵ Department of Housing and Urban Development. Transit Oriented Development. <http://www.hud.gov/offices/cpd/about/conplan/tod.cfm>.

⁶ National Association of Realtors. 2004 American Community Survey: National Survey on Communities. Smart Growth America: Washington, DC, October 2004.

⁷ Better Coordination of Transportation and Housing Programs. A Report to Congress from the US Department of Transportation Federal Transit Administration and the US Department of Housing and Urban Development. August 2008.

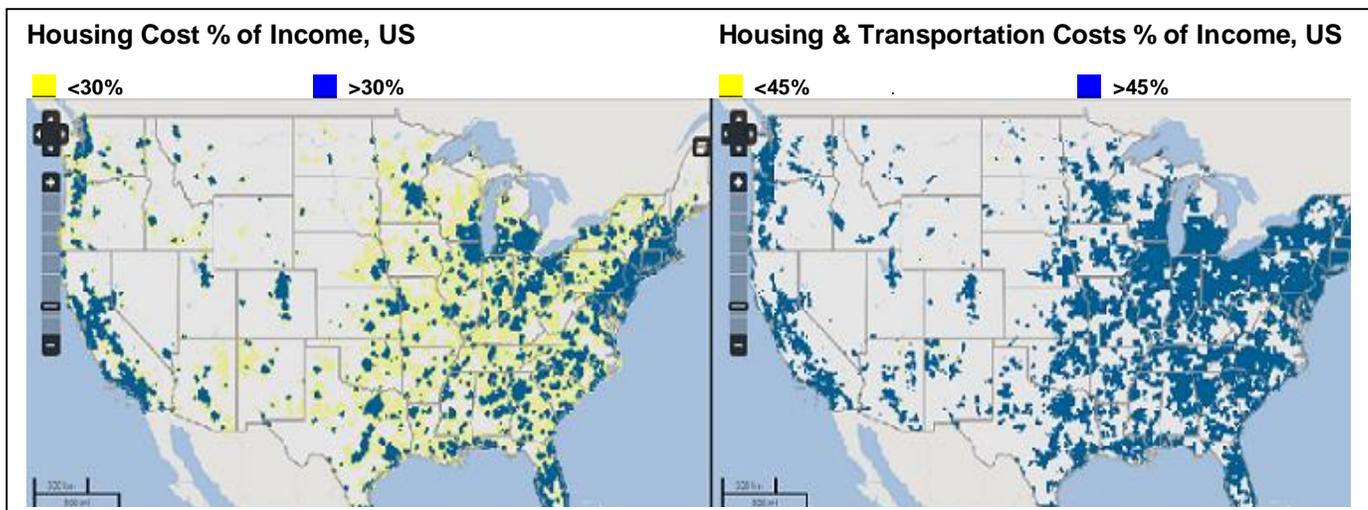
Housing and Transportation Costs

It is important to consider housing and transportation costs together when calculating housing affordability. Combining these costs gives a more complete measure of affordability than merely housing costs alone.⁸ Both of these factors together form the true 'costs of place'. Housing usually represents the single largest expense for families, and is considered affordable when it costs less than 30% of a household's budget; however, there is no similar standard for transportation costs.

Transportation costs are the second largest household expense for families and have an important relationship with housing costs; yet, few consider transportation costs when choosing a place to live.⁹ Transportation costs are calculated based on the number of cars owned, driving costs, miles driven, and the share of trips taken using public transit. Locating housing near transit can help reduce the numerous expenses—such as gas, maintenance and repairs—associated with car usage.

Based on research, the Center for Neighborhood Technology found that transportation affordability should be no more than 15% of a households' income.¹⁰ When transportation costs are added to housing costs, the number of affordable households decline. The images below illustrate the impact to household budgets when housing and transportation costs are combined and exceed the affordability index of 45% (combined housing affordability at 30% and transportation affordability at 15%). Unfortunately, the average American household spends 52% of its total income on housing and transportation. For low-income families, this presents an especially significant burden. Consequently, many Americans are less able to afford other expenses such as food, clothing and healthcare when taking combined housing and transportation costs into account.¹¹

Expanding housing opportunities near transit is one approach to lowering combined housing and transportation costs.¹² This strategy offers parishes and municipalities facing budget challenges a powerful tool for boosting housing affordability, even when funds do not exist for additional construction. Whereas adding a unit of affordable housing can cost between \$100,000 and \$200,000, encouraging existing development in transit zones can be done far more cost-effectively, while providing a simultaneous boost to local businesses, tourism, public transit agencies and regional employers.



⁸ Center for Neighborhood Technology. True Affordability and Location Efficiency. H&T Affordability Index. www.htaindex.cnt.org/#2.

⁹ Ibid.

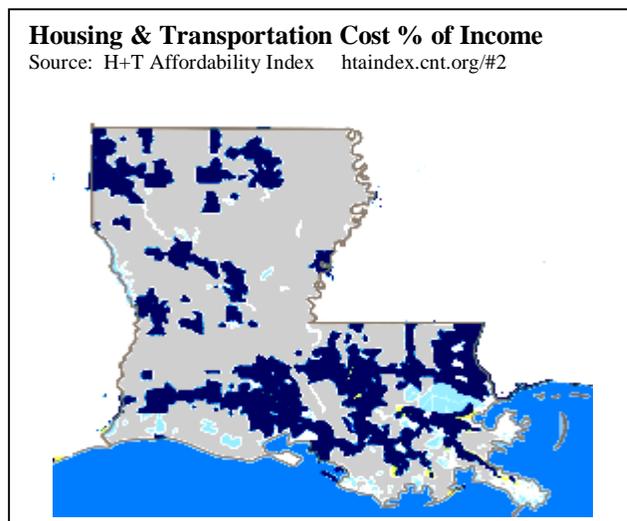
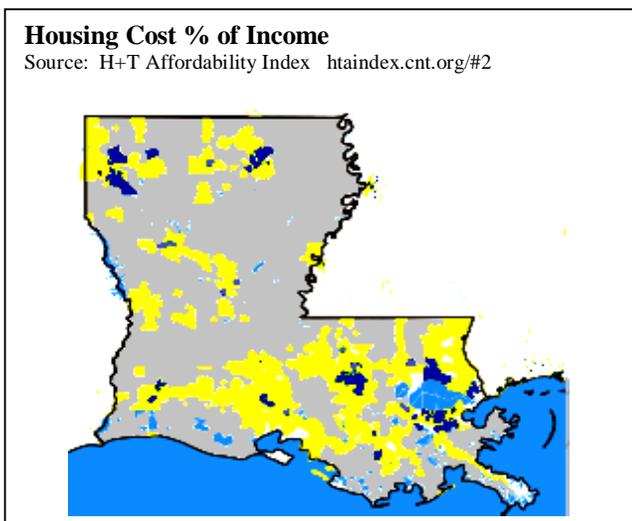
¹⁰ Robert Hickey et. al. October 2012. Losing Ground: The Struggle of Moderate-Income Households to Afford the Rising Cost of Housing and Transportation. Center for Housing Policy and Center for Neighborhood Technology.

¹¹ Center for Neighborhood Technology. True Affordability and Location Efficiency. H&T Affordability Index. www.htaindex.cnt.org/#2.

¹² Better Coordination of Transportation & Housing Programs to Promote Affordable Housing Near Transit. http://www.huduser.org/Publications/pdf/better_coordination.pdf

Affordability Index Map of Louisiana

Housing affordability should take into consideration both housing and transportation costs, and exceed no more than 45% of a household's budget. The Center for Neighborhood Technology created an index of affordability which combines housing and transportation costs and divides it by income to get its affordability measure.¹³



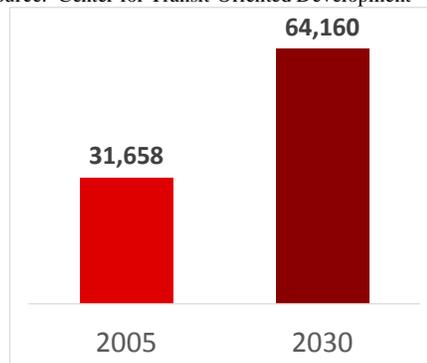
When looking at the two maps of Louisiana above, the Affordability Index Map on the left shows in yellow the areas of Louisiana that are affordable when only considering housing costs alone. The Affordability Index Map on the right shows how much that area shrinks when the costs of housing and transportation are combined. The areas in blue are where the combined cost of housing and transportation is more than 45% of a household's total income.

While many families move to the suburbs to find more affordable homes, the transportation costs associated with these locations—long commutes, a lack of walkable destinations, increased maintenance and fuel expenses, and time lost in traffic—usually consume their savings. According to the Center for Housing Policy, a family spends 77 cents more on transportation for every dollar saved on housing. Therefore, for many families a tradeoff exists between housing affordability and money spent on transportation.¹⁴

As a consequence of the burden transportation costs add to American households, the demand for affordable housing near transit for both renters and homeowners in the United States is expected to more than double by 2030.¹⁵ In New Orleans, the demand for homes in transit zones is projected to increase to over 64,000 homes during this time period.

Demand for Housing near Transit in New Orleans by 2030

Source: Center for Transit-Oriented Development



¹³ Center for Neighborhood Technology. True Affordability and Location Efficiency. H&T Affordability Index. www.htaindex.cnt.org/#2.

¹⁴ Mixed Income Housing near Transit: Increasing Affordability with Location Efficiency. TOD21. September 2009. The Center for Transit-Oriented Development. Department of Transportation. www.reconnectingamerica.org.

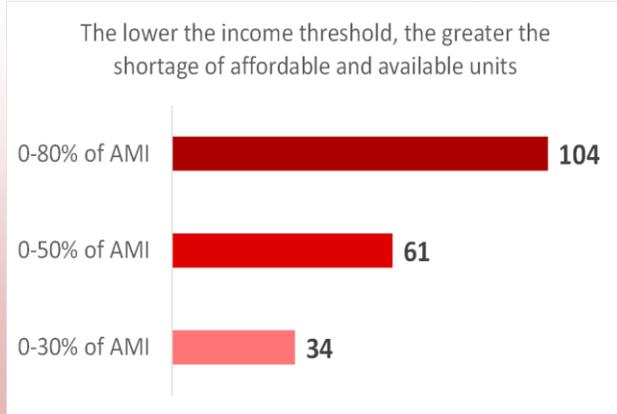
¹⁵ Ibid.

The Affordable Housing Challenge

Households making less than 80% of Area Median Income are considered to be Low Income, while those earning 31-50% and under 30% are Very Low Income (VLI) and Extremely Low Income (ELI) respectively. Households paying more than 30% of their income on rent incur a housing cost burden, and families dedicating more than half their wages to housing are said to be severely cost-burdened.

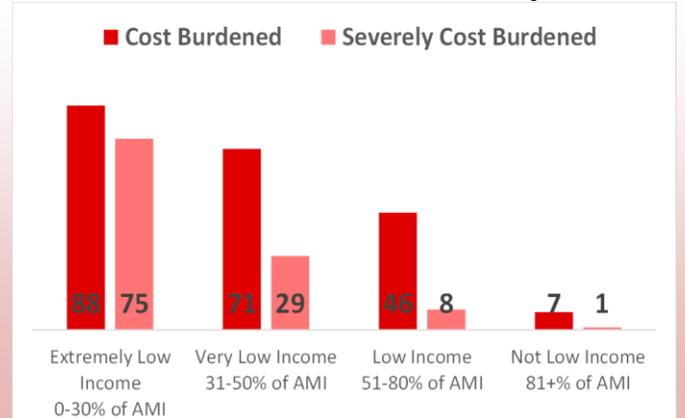
Louisiana Housing Shortage by Income, 2015

Profile of Low Income Renters. National Low Income Housing Coalition.



Cost Burden by Income Group in Louisiana

Profile of Low Income Renters. National Low Income Housing Coalition.



A great deal of opposition exists to affordable housing due to a misunderstanding of what affordable housing is and who it actually serves. There are many household types that need affordable housing and use affordable housing programs. These households range from low-income homeless individuals; to the disabled and senior population living on fixed incomes; to the working poor making minimum wage; to the moderate income household who may need low interest loans to buy a home. Unfortunately, it is the **low-income minimum wage worker in Louisiana who suffers the greatest housing cost burden because they are still unable to afford more than \$400 per month for housing costs**, even with a subsidy.¹⁶

Louisiana Families: Paycheck to Paycheck

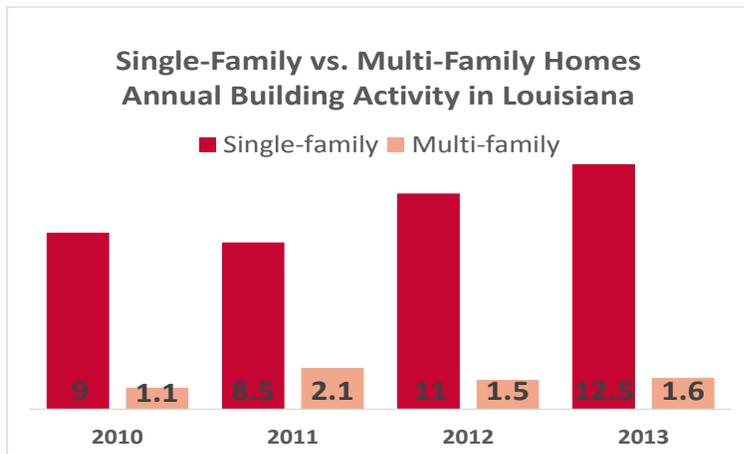
The National Housing Conference (NHC) conducts an annual study examining housing affordability among a wide range of occupations. This research has shown that a significant percentage of positions in rapidly expanding job fields offer wages far too low to comfortably afford housing. These jobs do not consist merely of the traditional stereotypes of low-wage workers (fast food, wait staff, etc.), but include employees such as childcare workers and home health aides who perform vital roles in protecting and nurturing the most vulnerable members of society.

Even jobs commonly thought of as paying decent wages do not necessarily keep families immune from housing affordability crises. The NHC found that in many Louisiana cities, even traditionally middle-class jobs such as firefighter, police officer and medical billing clerk fail to provide sufficient income to purchase a home, even in an era of extremely low interest rates. In some cases, these workers face difficulties even renting a 2 bedroom apartment. Examples of Louisiana professions facing affordability challenges are given on the next page.

¹⁶ Louisiana Housing Finance Authority Housing Needs Assessment 2010. <http://www.lhfa.state.la.us/>

Large Share of Louisiana Renters are Housing Cost Burdened

Housing affordability is an almost universal challenge for low-income households. When households pay more than half their incomes for housing, they have much less to spend on other necessities that profoundly affect quality of life. The likelihood of living in inadequate housing is somewhat higher for renters without cost burdens, highlighting the tradeoff these households must make between affordability and quality.



Source: Louisiana Economic Market Condition At-A-Glance, PD&R Economic Market Analysis Division Regional Office

While the numbers of married couples with children who want to live in single-family homes in the suburbs are steadily decreasing, **there is an increasing need for rental units for seniors, singles, and low-income households.** Single-family homes make up 78% of the new housing construction in the United States, while affordable rental units that are in demand are lacking. This trend is also evident in Louisiana.¹⁷

All households and income groups in Louisiana faced increased cost burdens since 2000; however, the greatest housing need was among low-income renters. According to the 2015 Louisiana State Housing Profile, there were 166,350 extremely low-income renters in Louisiana; but there was a shortage of 110,522 affordable units available to this group.¹⁸

The 2015 Housing Landscape Report from the Center for Housing Policy shows that an increasing number of working households in Louisiana are spending more than ½ of their incomes on housing – up from 19.4% in 2009 to 20.3% in 2013. According to the report, unless there is an increase in the supply and availability of affordable housing, rental costs will continue to rise and will eventually surpass incomes again.¹⁹

2015 LOUISIANA HOUSING PROFILE

KEY FACTS

34%

Households in this state that are renters

166,350

OR

29%

Renter households that are extremely low income

\$16,500

Maximum state level income for an ELI household

110,522

Shortage of units affordable and available for extremely low income renters

\$15.45

State Housing Wage

The hourly amount a household must earn to afford a two-bedroom rental unit at HUD's Fair Market Rent

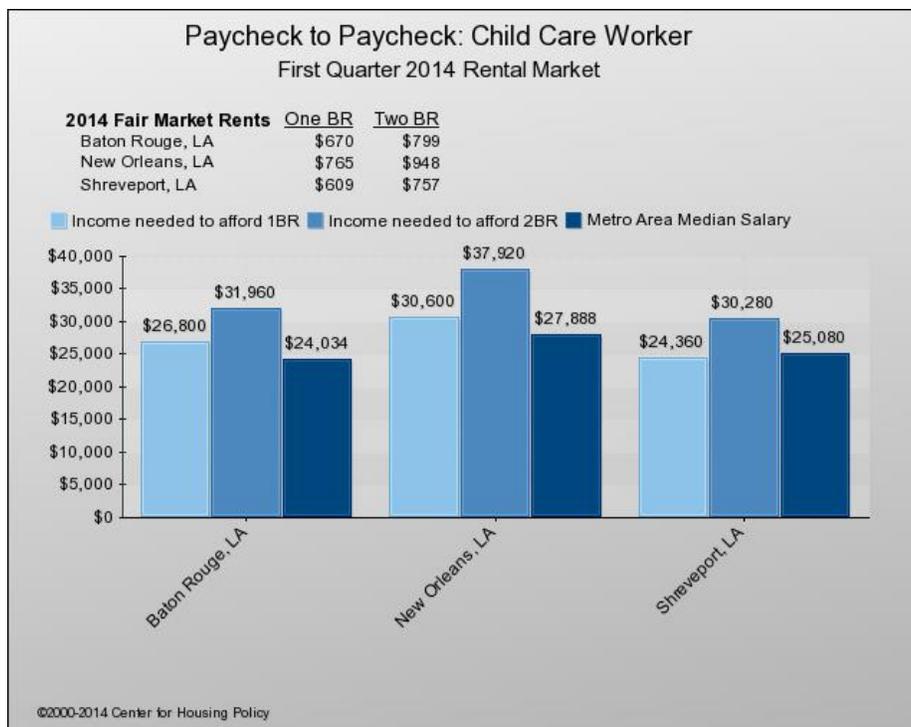
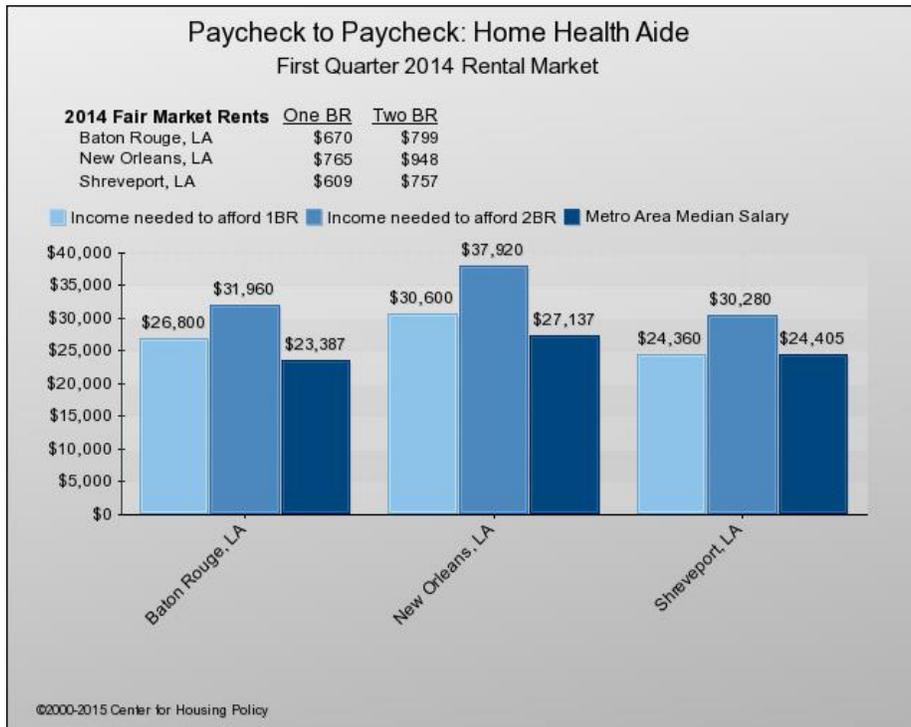
¹⁷ Mixed Income Housing near Transit: Increasing Affordability with Location Efficiency. TOD21. September 2009. The Center for Transit-Oriented Development. Department of Transportation. www.reconnectingamerica.org

¹⁸ 2015 State Housing Profile: Louisiana. National Low Income Housing Coalition. www.nlihc.org.

¹⁹ 2015 Housing Landscape. Housing Affordability Challenges of Americas Working Households. Center for Housing Policy. (Feb 2015).

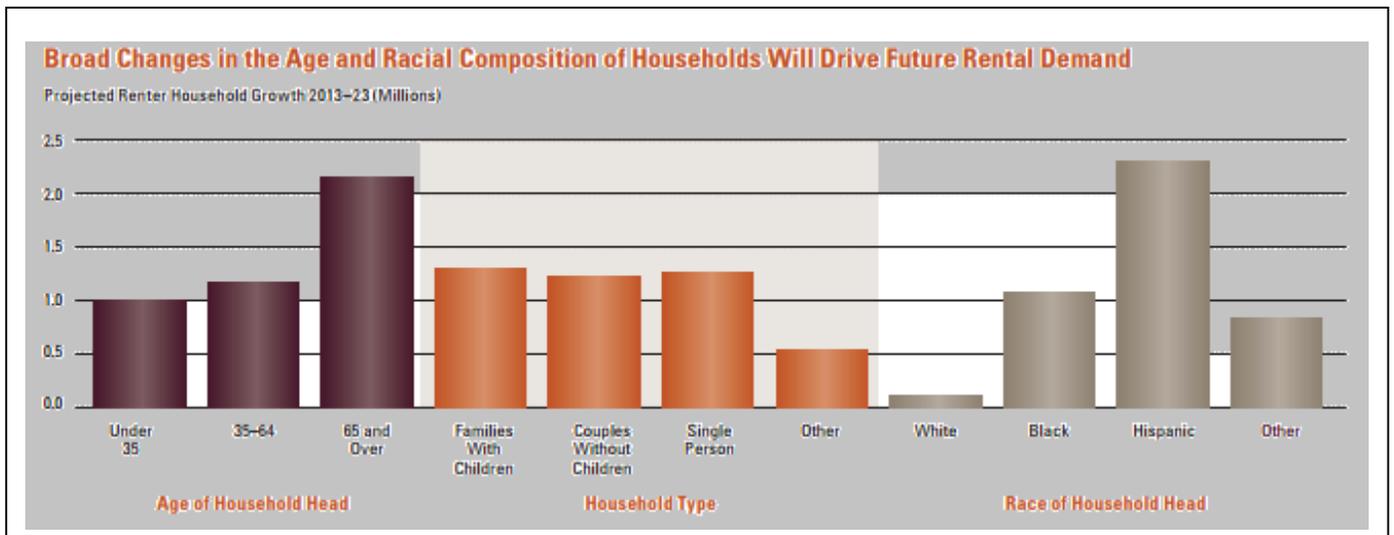
National Housing Conference: Paycheck to Paycheck for Louisiana Cities

The charts below show the gap between incomes and housing costs for 2 of the most rapidly expanding professions in Louisiana. In only Shreveport can home health aides and child care workers afford even a 2 bedroom rental apartment, and there only by a small margin. Low and even middle-income workers statewide will require additional housing options in order to live affordably.



Mixed-Income Developments May Be Answer to Housing Challenge

More US households have turned to renting to meet their housing needs since the 2008 Great Recession, which displaced millions of homeowners and caused high rates of unemployment to strain household budgets. A 2012 Fannie Mae study reveals that more than one-half of their renter respondents favored renting over owning because they were able to live in a more convenient location and because renting was best for them in the current economic climate. Still, the survey found that the majority of the respondents (72%) hoped to own a home in the future. The study also revealed that a majority of US households own homes at some point in their lives, but many returned to renting in response to changing fortunes and housing needs.²⁰



One popular strategy to address the affordable housing challenge is the move towards mixed-income rental developments, a concept developed in the early 1990s in an effort to disperse concentrated poverty and to provide subsidized tenants access to features like laundry facilities, fitness centers, better schools, jobs, safety, and transportation – all services and amenities typically provided in high-income housing units. In Louisiana, mixed-income housing developments are mostly found in the larger cities within the state since these areas received more federal funding to build new and renovate affordable rental housing destroyed by hurricanes Katrina and Rita in 2005, and the 2008 hurricanes Ike and Gustav.

There are a number of successful mixed-income housing developments in the New Orleans area. One example is Columbia Parc, which was showcased as a national mixed-income housing model in 2013. According to the Louisiana Housing Corporation (formerly the Louisiana Housing Finance Agency), there are long waiting lists for these developments because they appeal to higher income households and are located in close proximity to better schools, restaurants, shopping, healthcare facilities, parks, jobs and transportation.²¹ The Elysian and Timberwood Place are two successful mixed-income developments in Baton Rouge.²²

Not only do mixed-income developments offer numerous social benefits, but they can be more politically feasible as well. Overcoming the stigma of low-income developments has been a main challenge for affordable housing advocates in recent decades. By encouraging mixed-income communities, cities can minimize neighborhood opposition to affordable home construction.

²⁰ America's Rental Housing: Evolving Markets and Needs. Joint Center for Housing Studies of Harvard University. http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf

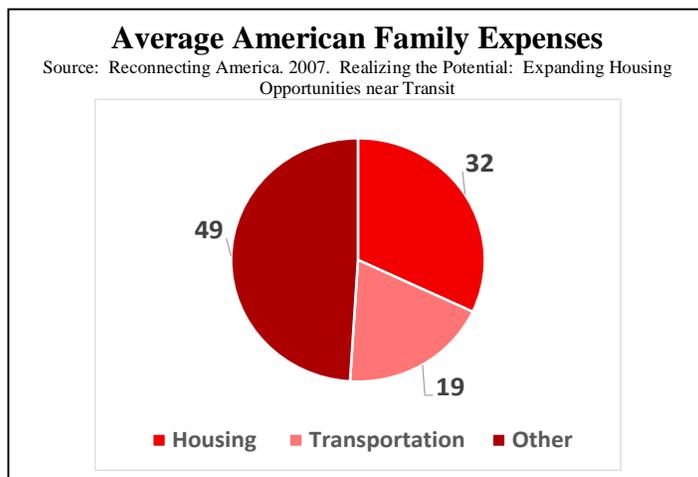
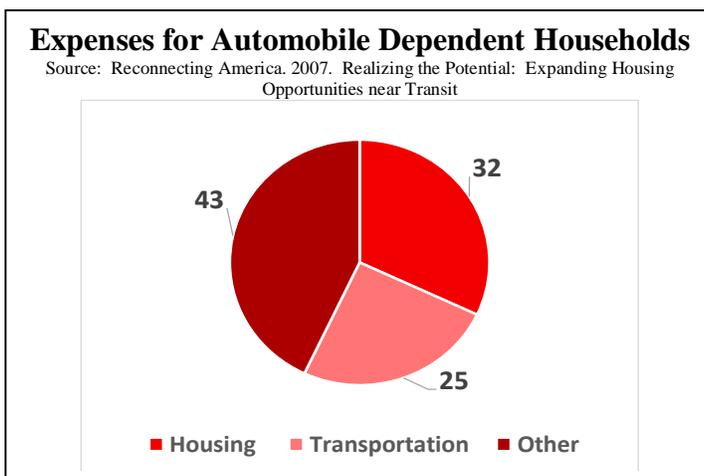
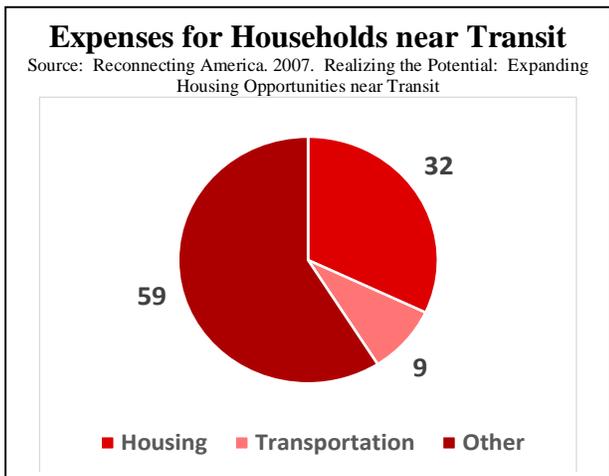
²¹ Louisiana Housing Finance Agency. Housing Needs Assessment 2010. <http://www.lhfa.state.la.us/>

²² Affordable Rental Program Awardees. Louisiana Housing Corporation. http://www.lhfa.state.la.us/programs/Gustav-Ike/DR_GustavIkeARP.aspx

Transit Investment

Transportation has always been a factor in community development. Along with rising transportation costs, the changing demographics of America are increasing the need for affordable housing near transit. Although families with children make up the majority of households today (66.4% nationally, 67.1% Louisiana), single adults, single parent headed households, the elderly, and low-income households are the groups that are interested in a more convenient lifestyle that includes living in affordable homes with access to transit.

More than 40% of the demand for housing near transit is expected to come from low-income and very low-income households. Building affordable homes near transit is especially important to low income populations since transportation costs can consume more than 55% of a low-income family's budget compared to only 9% for families with high-incomes.²³



²³ Reconnecting America. 2007. Realizing the Potential: Expanding Housing Opportunities near Transit. US Department of Transportation. Federal Transit Administration.

According to the American Public Transportation Association, households could have saved nearly \$10,000 in 2008 if they used transit instead of driving. That money could have been used to:

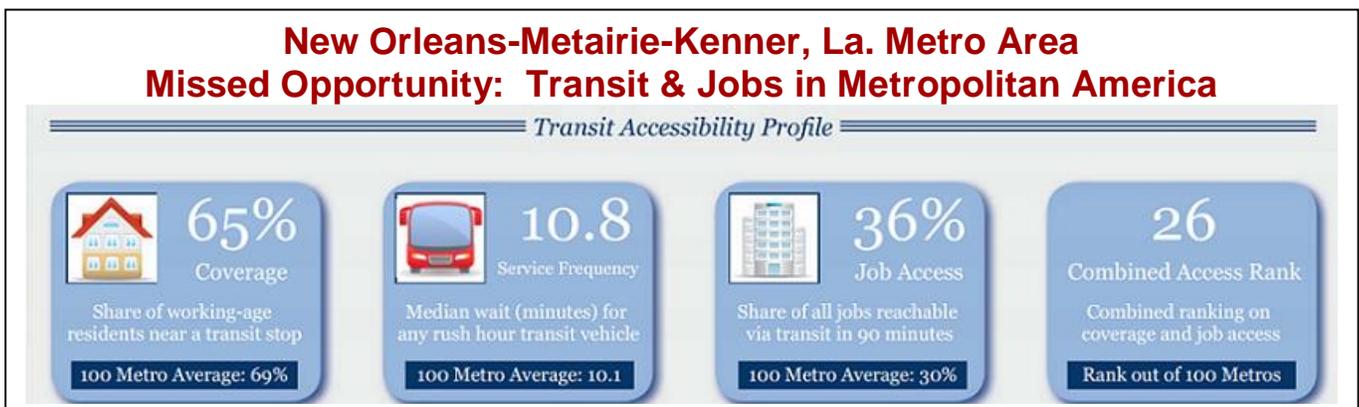
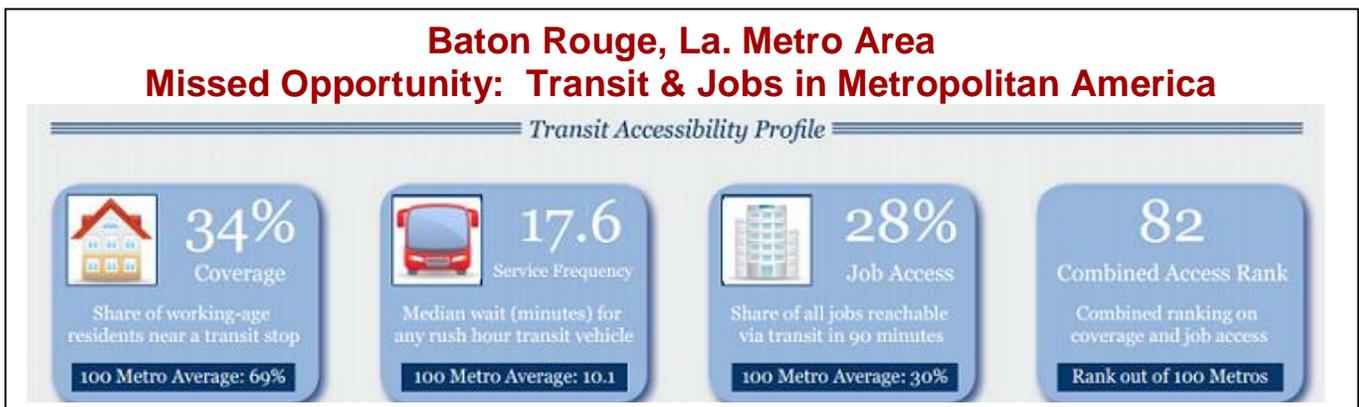
- Buy food for a family for a year
- Pay off a 30-year \$150,000 mortgage 20 years early
- Pay for 75% of a healthcare policy
- Pay for community college tuition for 2 children
- Pay for child care for one year
- Buy 3,168 mocha frappuccinos at Starbucks

Source: American Public Transportation Center for the Transit Oriented Development

The increased demand for housing near transit will come from both renters and owners and is expected to grow from 6 million to 16 million by 2030.²⁴

Most demand for housing near transit will occur in areas with big transit systems already in place, like New Orleans, because they will provide many people access to more destinations. Research has shown that people who live in housing near transit and people that work near transit are over 3.5 times more likely to use it. Renters and buyers are looking for affordable housing in neighborhoods with close proximity to a transit system that will make it easier for them to access nearby amenities like shopping, recreation, jobs, schools, and healthcare facilities, among other destinations.²⁵

New Orleans is one of the top 30 regions in the United States expected to have an increase in demand for housing near transit zones. On the other hand, Baton Rouge is one of the 10 metro areas with the lowest transit coverage rates out of 100 metro areas, although a dedicated transit tax was passed in 2012 to improve the system.²⁶



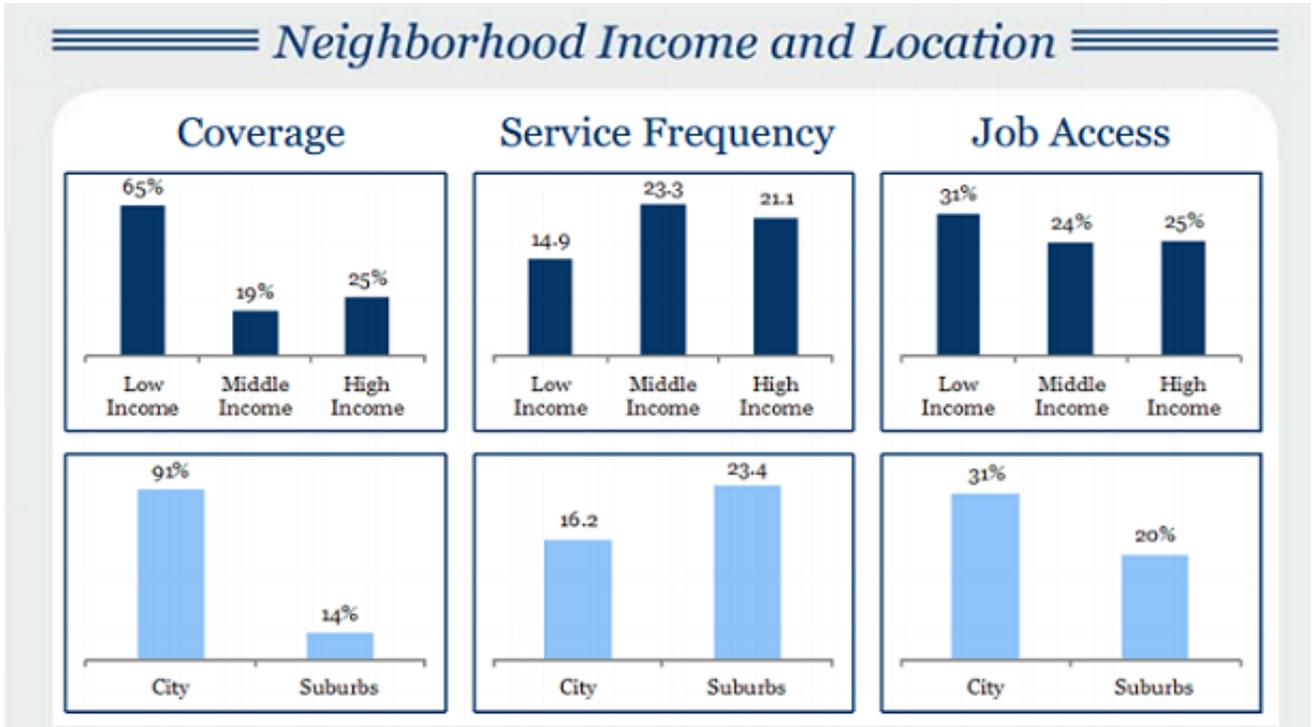
²⁴ Mixed Income Housing near Transit: Increasing Affordability with Location Efficiency. TOD21. September 2009. The Center for Transit-Oriented Development. Department of Transportation. www.reconnectingamerica.org

²⁵ Robert Hickey, Jeffrey Lubell, Peter Haas, and Stephanie Morse. October 2012. Losing Ground: The Struggle of Moderate-Income Households to Afford the Rising Cost of Housing and Transportation. Center for Housing Policy and Center for Neighborhood Technology.

²⁶ Adie Tomer, Elizabeth Kneebone, Robert Puentes, Alan Berube. May 2011. Missed Opportunity: Transit and Jobs in Metropolitan America. Brookings Institute.

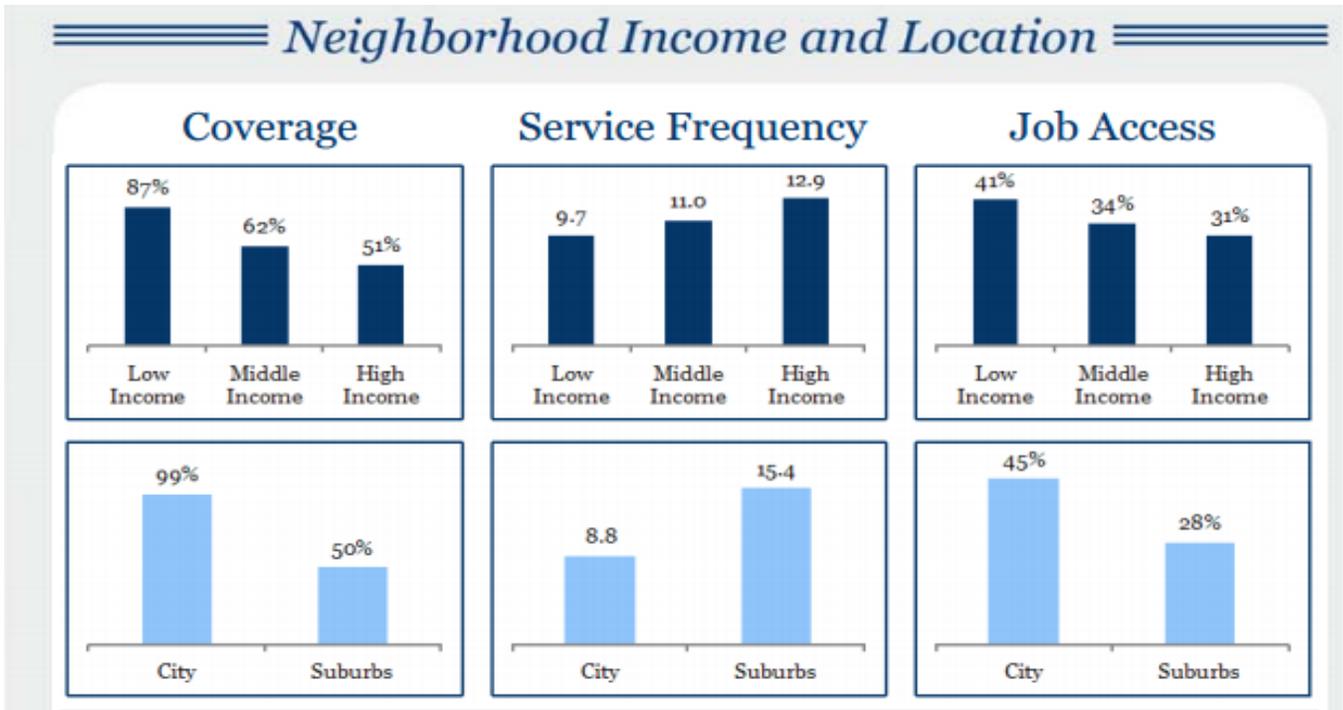
Baton Rouge Metropolitan Transit Accessibility Metrics

(Baton Rouge in the bottom 50 out of 100)



New Orleans Transit Accessibility Metrics

(New Orleans in the top 50 out of 100)



Recommendations

Prioritize increasing affordable housing investments near key transit corridors

In many cases, locating additional homes near transit can more effectively reduce a household's total housing + transit costs than a focus on affordability alone, even when new units are market-rate. However, this effort can also be combined with affordable housing programs. One strategy frequently employed to boost the number of homes near transit involves loosening density restrictions along specially designated transit corridors. These avenues are typically already denser than surrounding communities, and additional homes can usually be added without interfering with the neighborhood character. Cities can offer “density bonuses” to developers, allowing them to add more stories/floors in multifamily developments in exchange for a certain percentage of units reserved at affordable rates.

Address the needs of the booming senior population

As the baby boomer generation ages, they will require a growing diversity of housing options. Many are no longer willing or able to live in single family homes in the suburbs. Approximately 1 in 5 residents over the age of 65 do not drive at all, and even those that do increasingly desire walkable communities with transit options. Including affordable homes for seniors along transit corridors and in mixed-use communities can help address the current housing imbalance.

Prioritize mixed-use facilities

Resident's access to jobs, retail and recreational opportunities depends not only on their mobility (their ease of movement), but on the distance required to reach various destinations. Mixed-use development can lower the average distance to jobs, shopping and social events, enhancing the options available even to those with limited mobility.

Permit alternative housing types

In many cases, affordable units can be added along transit corridors without significant public or private expense. One example is the construction of accessory dwelling units, also called granny flats or mother-in-law suites. These semi-attached or detached units can be added by the homeowner for a relatively low cost, and allow additional residents accessibility to transit without large controversial developments. They also allow multi-generational communities, as they are ideal for both young singles as well as seniors, and have been endorsed by the AARP. Unfortunately, ADUs face severe legal restriction in most communities throughout Louisiana.

Microunits—or smaller than conventional apartments—face similar legal challenges. Widely used in Seattle, WA to keep costs affordable for students and young people, these tiny apartments are growing increasingly popular among the millennial generation. However, most cities outside Seattle place minimum-size requirements that prohibit such developments. These restrictions limit the infill opportunities available near transit stations, and the number of people able to walk or bike to public transportation.

Invest in bikeways and walkability

While major infrastructure programs such as light rail lines and bus rapid transit may be beyond the financial means of many cities, small-scale investments in bikeways and streetscapes can simultaneously increase mobility and decrease congestion at just a fraction of the cost of conventional public transit or highway expansions.

End counterproductive subsidies

Recent years have seen most cities realize the potential of mixed-use and transit-accessible communities to stimulate economic development while enhancing social and economic justice. However social policies have yet to catch up with this development. Most communities still subsidize traditional, auto-dependent neighborhoods through the provision of free parking, minimum parking requirements, restrictions on multifamily development and the dedication of the overwhelming majority of the transportation budget to roadways and other auto-oriented investments rather than public transit and pedestrian-oriented streets. Boosting transit options will require a reversal of these priorities.

Institute impact fees

Impact fees are costs imposed on a new development in order to help pay for the public infrastructure needed for that development. These fees can be calculated based on the new development's impact on local transit, congestion and accessibility. And while these fees will result in more expensive housing, many communities exempt affordable housing developments. This effectively provides a subsidy for these units derived from fees on luxury condos and other commercial/residential developments.

Adopt sensible local inclusionary zoning policies

A growing number of communities have adopted inclusionary zoning approaches to boost the supply of affordable housing. These policies take 2 broad forms. Mandatory inclusionary zoning requires that developers designate a certain percentage of units in a new multifamily development as affordable, with lower rents guaranteed for a specified period of time. Voluntary programs offer density bonuses and other rewards (often available in mandatory programs as well) to provide a financial incentive for the developer. Inclusionary zoning aims to not only provide more affordable homes, but to locate them in mixed-income communities with equal access to quality schools, transit and other features.

Inclusionary zoning also has the potential to boost transit accessibility in 2 major ways. First, the selective use of density bonuses can be a tool to increase the number of homes along transit corridors, which increases the number of households located within walking and/or biking distance of a station. Secondly, these programs can help mitigate the cost premium generally present in areas convenient to transit. Instead of concentrating low-income families into areas not well-served by transit, inclusionary zoning helps to create mixed-income neighborhoods with equal access to all transportation options.

Conclusion

Promoting affordable housing in an era of fiscal austerity will require innovative approaches which maximize use of existing resources. By recognizing the interconnectedness of housing and transit, and overcoming institutional silos, communities can brainstorm solutions which neither sector could have come up with on their own. Not only can public transit lower a household's total expenses (by reducing housing plus transportation costs), by it can be used to connect families to already existing affordable neighborhoods. At the same time, but prioritizing affordable housing construction in existing transit corridors, housing agencies can maximize the public benefits of their investments. Approaching these sectors as an integrated whole, enables cities to work toward a future where all residents enjoy affordable homes, safe neighborhoods and the mobility to access jobs, culture and opportunity.