Bay Area Burden

Examining the Costs and Impacts of Housing and Transportation on Bay Area Residents, their Neighborhoods, and the Environment
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About the Urban Land Institute
The Urban Land Institute is a 501(c)(3) nonprofit research and education organization supported by its members. Founded in 1936, the institute now has more than 32,000 members worldwide representing the entire spectrum of land use and real estate development disciplines, working in private enterprise and public service. As the preeminent, multidisciplinary real estate forum, ULI facilitates the open exchange of ideas, information, and experience among local, national and international industry leaders and policymakers dedicated to creating better places.

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Members regard ULI as a trusted idea place where leaders come to grow professionally and personally through sharing, mentoring, and problem solving. With pride, ULI members commit to the best in land use policy and practice.

About the ULI Terwilliger Center for Workforce Housing
The ULI Terwilliger Center for Workforce Housing was established by J. Ronald Terwilliger, chairman and CEO of Trammell Crow Residential, to expand housing opportunities for working families. The mission of the Center is to serve as a catalyst in increasing the availability of workforce housing in high-cost communities by harnessing the power of the private sector.

The Center supports the development of mixed-income communities close to employment centers and transportation hubs. Through a multifaceted approach the Center facilitates research, advocates for public policy change, publishes best practices, convenes housing experts, and works to eliminate regulatory barriers to the production of workforce housing.

Acknowledgments
This report was prepared by ULI Terwilliger Center for Workforce Housing and the Center for Housing Policy, based on research conducted by the Center for Neighborhood Technology. This report and accompanying Cost Calculator is made possible through the generous support of ULI Trustee James J. Curtis, III.
**Bay Area Burden** provides a comprehensive analysis of the “cost of place” in nine counties located throughout the San Francisco region by examining the costs and impacts of housing and transportation on Bay Area residents, their neighborhoods, and the environment.

**Recalibrating Housing Affordability**

Although housing prices in the Bay Area have fallen from their peaks during the real estate boom, Bay Area households still spend an average of more than $28,000 annually on housing—about 39 percent of the area median income. In addition to the high cost of housing, Bay Area households spend nearly $13,400 annually on transportation. Combined, this cost burden of $41,420 per year represents 59 percent of the median household income in the Bay Area. The high combined costs of housing and transportation leave many Bay Area households with insufficient remaining income to comfortably meet their basic needs. This underscores the importance of broadening our understanding of housing affordability to consider the combined costs of housing and transportation, as well as the impacts of longer commutes on the environment and quality of life.

**Environmental Consequences**

This report exposes the complexity of the interaction of housing and transportation choices as well as expenditures, and the unintended consequences on the natural environment when they work at cross purposes. The report also highlights the importance of “location efficiency”—the proximity of housing to transportation hubs, employment, and retail centers—as a driver of both affordability and environmental sustainability.

**Aligning Land Use, Housing, and Transportation Policies**

Land use decisions play a critical role in determining the availability of housing that is affordable to Bay Area working families in areas that are near employment centers and transit. By strengthening the coordination of land use, housing, and transportation policies, Bay Area jurisdictions could create, preserve, and expand communities that are both environmentally sustainable and affordable to Bay Area households.

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**Executive Summary**

**Housing Plus Transportation Costs in the Bay Area**

<table>
<thead>
<tr>
<th></th>
<th>Average Annual Housing Costs</th>
<th>Average Annual Transportation Costs</th>
<th>Average Annual Housing + Transportation Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$28,045</td>
<td>$13,375</td>
<td>$41,420</td>
</tr>
<tr>
<td>% of Income</td>
<td>39%</td>
<td>20%</td>
<td>59%</td>
</tr>
</tbody>
</table>

“When it comes to development—housing, transportation, energy efficiency—these things aren’t mutually exclusive; they go hand in hand. And that means making sure that affordable housing exists in close proximity to jobs and transportation. That means encouraging shorter travel times and lower travel costs. It means safer, greener, more livable communities.”

—President Barack Obama, July 13, 2009
Housing Costs

Housing Costs in the Bay Area are among the highest in the country, ranking #1 in median home value, median monthly costs for homes with a mortgage, and median gross rent (Table 1). Despite a relatively high median income of $72,630—in comparison to the national median of just over $50,0001—housing in the Bay Area remains generally unaffordable. While about one-fourth of renters spend more than half of their incomes on housing in both the Bay Area and nationally, a substantially larger share of Bay Area owners (20 percent) spend more than half their income on housing than is true for the U.S. overall (12 percent).2

Jurisdictions throughout the Bay Area have had difficulty permitting and building a sufficient number of housing units to meet demand. The total number of permitted units affordable to low- and moderate-income households in the Bay Area between 1999 and 2006 met only 47 percent of the target for such housing set forth in the regional plan. As shown in Table 2, rates of permitted housing (relative to goals) were particularly low for households with very low incomes (44 percent) and moderate incomes (37 percent).

### Table 1: The Bay Area Consistently Tops the Charts in Housing Costs

<table>
<thead>
<tr>
<th>Rank</th>
<th>Median Home Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$694,700</td>
</tr>
<tr>
<td>2</td>
<td>$658,700</td>
</tr>
<tr>
<td>3</td>
<td>$641,800</td>
</tr>
<tr>
<td>4</td>
<td>$578,900</td>
</tr>
<tr>
<td>5</td>
<td>$574,400</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Median Monthly Costs for Homes with a Mortgage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,803</td>
</tr>
<tr>
<td>2</td>
<td>$2,471</td>
</tr>
<tr>
<td>3</td>
<td>$2,438</td>
</tr>
<tr>
<td>4</td>
<td>$2,432</td>
</tr>
<tr>
<td>5</td>
<td>$2,412</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Median Gross Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,221</td>
</tr>
<tr>
<td>2</td>
<td>$1,206</td>
</tr>
<tr>
<td>3</td>
<td>$1,205</td>
</tr>
<tr>
<td>4</td>
<td>$1,168</td>
</tr>
<tr>
<td>5</td>
<td>$1,099</td>
</tr>
</tbody>
</table>

Source: 2007 American Community Survey

### Table 2: Percent of Regional Housing Needs Assessment Goals Successfully Permitted, 1999-2006

<table>
<thead>
<tr>
<th>San Francisco &amp; Select Inner East Bay Cities</th>
<th>Very Low (0-50% AMI)</th>
<th>Low (51-80% AMI)</th>
<th>Moderate (81-120% AMI)</th>
<th>Above Moderate (&gt;120% AMI)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkeley</td>
<td>68%</td>
<td>171%</td>
<td>30%</td>
<td>167%</td>
<td>107%</td>
</tr>
<tr>
<td>Freemont</td>
<td>33%</td>
<td>22%</td>
<td>19%</td>
<td>67%</td>
<td>44%</td>
</tr>
<tr>
<td>Hayward</td>
<td>6%</td>
<td>5%</td>
<td>98%</td>
<td>167%</td>
<td>92%</td>
</tr>
<tr>
<td>Oakland</td>
<td>27%</td>
<td>71%</td>
<td>8%</td>
<td>267%</td>
<td>107%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>80%</td>
<td>52%</td>
<td>12%</td>
<td>156%</td>
<td>86%</td>
</tr>
<tr>
<td>Total Bay Area</td>
<td>44%</td>
<td>75%</td>
<td>37%</td>
<td>153%</td>
<td>92%</td>
</tr>
</tbody>
</table>

Note: Values below the Bay Area average for the category are highlighted. Source: Association of Bay Area Governments. 2007. A Place to Call Home

Moderate Income Households are the Lowest Served in the Bay Area
Average Monthly Housing Costs
- Less than $1,600
- $1,600 to $2,000
- $2,000 to $2,400
- $2,400 to $3,000
- $3,000 and greater
- Insufficient Data

Most Housing Affordable to Working Families is Located in the North Bay and the Inner East Bay

THREE-FIFTHS OF all Bay Area residents live in communities that are unaffordable to households earning less than $80,000. Large cities located along the Highway 880 corridor—principally along the eastern and southern shoreline in Oakland, San Leandro, Fremont, and low-cost parts of San Jose—remain relatively affordable. In addition, northern Sonoma and Napa counties and eastern Solano County contain areas with below-average housing costs, but households living in these areas must travel farther to reach regional employment centers and public transit.
ON AN AVERAGE WEEKDAY, nearly 10 percent of the Bay Area Workforce uses the public transit which accommodates more than 1.6 million riders, ranking it among the most transit-reliant metropolitan areas in the country (Table 4).

As with housing costs, the combined costs of housing plus transportation are lowest in the areas around the Bay where many of the region’s jobs are located and public transit has the greatest reach. These areas provide the best opportunities for working households to save on their combined housing and transportation costs.

Bay Area households seeking more affordable housing in the outlying parts of Sonoma, Solano, Napa, and Contra Costa counties are burdened with higher transportation costs associated with these low-density, non-transit accessible neighborhoods. These communities appear less affordable when the combined costs of housing and transportation are considered.
TABLE 3  
Table 3: Vehicle Miles Traveled and Emissions Per Household are Associated with Land-Use Patterns (2006)

<table>
<thead>
<tr>
<th>County Name</th>
<th>Urban</th>
<th>Suburban</th>
<th>Rural</th>
<th>VMT</th>
<th>CO2 (pounds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco</td>
<td>97%</td>
<td>2%</td>
<td>1%</td>
<td>19.4</td>
<td>20.2</td>
</tr>
<tr>
<td>Almeda</td>
<td>47%</td>
<td>51%</td>
<td>4%</td>
<td>33.1</td>
<td>30.8</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>34%</td>
<td>61%</td>
<td>5%</td>
<td>35.9</td>
<td>34.4</td>
</tr>
<tr>
<td>San Mateo</td>
<td>35%</td>
<td>59%</td>
<td>6%</td>
<td>40.3</td>
<td>36.5</td>
</tr>
<tr>
<td>Contra Costa</td>
<td>11%</td>
<td>74%</td>
<td>15%</td>
<td>43.8</td>
<td>42.9</td>
</tr>
<tr>
<td>Marin</td>
<td>0%</td>
<td>85%</td>
<td>15%</td>
<td>35.9</td>
<td>35.0</td>
</tr>
<tr>
<td>Solano</td>
<td>3%</td>
<td>76%</td>
<td>20%</td>
<td>50.4</td>
<td>49.4</td>
</tr>
<tr>
<td>Napa</td>
<td>3%</td>
<td>60%</td>
<td>37%</td>
<td>42.3</td>
<td>42.5</td>
</tr>
<tr>
<td>Sonoma</td>
<td>4%</td>
<td>56%</td>
<td>40%</td>
<td>50.1</td>
<td>51.0</td>
</tr>
<tr>
<td>Bay Area</td>
<td>36%</td>
<td>54%</td>
<td>10%</td>
<td>36.6</td>
<td>35.4</td>
</tr>
</tbody>
</table>

Note: Table sorted in ascending order by percent rural.


TABLE 4  
Table 4: Nearly 1 in 10 Bay Area Workers Use Public Transit

<table>
<thead>
<tr>
<th>Rank</th>
<th>Metro Area</th>
<th>Share of Workers Using Public Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New York-Newark-Bridgeport</td>
<td>26.5%</td>
</tr>
<tr>
<td>2</td>
<td>Washington-Baltimore-Northern Virginia</td>
<td>11.1%</td>
</tr>
<tr>
<td>3</td>
<td>Chicago-Naperville-Michigan City</td>
<td>11.0%</td>
</tr>
<tr>
<td>4</td>
<td>San Jose-San Francisco-Oakland</td>
<td>9.5%</td>
</tr>
<tr>
<td>5</td>
<td>Atlantic City, NJ</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

Source: 2007 American Community Survey

THE UNITED STATES ranks among the top producers of greenhouse gas emissions (GHG) in the world, and due to the historic rise in the amount of car travel in the U.S., the transportation sector is the segment of the economy where GHG emissions have recently increased the most. The successful implementation of GHG emission reduction plans in the transportation sector is particularly important in the Bay Area, where transportation accounts for 40.6 percent of greenhouse gas emissions, compared to 33% nationally. With the successful passage of California’s Senate Bill 375—legislation which requires metropolitan planning organizations to develop housing and transportation plans to lower GHG emissions—California emerged as a world-wide leader in seeking strategies to reduce GHG emissions.

A recent ULI study, Growing Cooler, found that the number of “vehicle miles traveled” (VMT)—a measure of car usage—in compact urban areas with a mix of housing types, access to reliable transit to/from employment centers, and services within walking distance, can be 20 to 40 percent lower than in auto-dependent suburbs.

As Table 3 illustrates, densely-developed urban counties like San Francisco are estimated to have substantially fewer vehicle miles traveled per household (19.4) and thus lower per household carbon dioxide emissions (20.2) than do more rural and suburban counties, where these measures can exceed the Bay Area average by a wide margin.

Of significant importance is the fact that compact land use patterns facilitate lower per capita GHG levels in BOTH transportation and building sectors. Data suggests that in comparison to single-family dwellings at the urban edge, multi-family dwellings in urban neighborhoods can exhibit up to 75 percent less combined energy usage on a per capita basis. Depending on the source of electricity generation for a given metropolitan area, this can yield a comparable reduction in GHG emissions.
Households in the Bay Area spend an average of $28,045 per year on housing and $13,375 on transportation. As expected, housing costs are highest in the counties with the highest incomes: Marin, San Mateo, Santa Clara, and Contra Costa. These counties also have mid-to-high transportation costs. As a percentage of income, these combined costs roughly approximate the regional cost burden of 59 percent, with the exception of Santa Clara.

In Napa, Sonoma, and Solano counties to the north, housing costs are below the regional average, but higher transportation costs result in combined costs, as a percent of income, of 61 percent to 66 percent—above the Bay Area average.
Rental Housing Lowers Overall Housing Costs in San Francisco County

Although San Francisco County is often associated with high housing costs, the data presented in this report suggest that housing is more affordable there than in five other counties in the Bay Area. Since 62 percent of San Franciscans rent their homes, the average housing costs in San Francisco are below the Bay Area average. In comparison, only 37 percent of households in the rest of the Bay Area are renters. Even though rents are high in San Francisco, they are significantly lower than the cost of homeownership.

Area average. In a pattern consistent with the “drive until you qualify” phenomenon common to many metropolitan areas, Solano County has both the lowest housing costs and the highest transportation costs in the Bay Area.

Despite having higher housing costs than two of the counties to the north, combined costs for housing and transportation are lowest in absolute dollar terms in Alameda and San Francisco counties, which in part can be attributed to their “location efficiency” (i.e., their proximity to job clusters and public transit) and consequently low transportation costs. Average annual transportation costs in San Francisco are nearly $3,900 below the regional average.
Housing + Transportation Costs for Bay Area Cities

<table>
<thead>
<tr>
<th>Median Income</th>
<th>Median Income</th>
<th>Median Income</th>
<th>Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$43,715</td>
<td>$74,908</td>
<td>$69,716</td>
<td>$181,730</td>
</tr>
<tr>
<td>$187,378</td>
<td>$105,660</td>
<td>$75,920</td>
<td>$82,707</td>
</tr>
<tr>
<td>$76,495</td>
<td>$77%</td>
<td>$69%</td>
<td>$58%</td>
</tr>
<tr>
<td>$75%</td>
<td>$60%</td>
<td>$58%</td>
<td>$48%</td>
</tr>
</tbody>
</table>

Bay Area Cities

- Berkeley
- Oakland
- Emeryville
- Fremont
- Piedmont
- San Pablo
- Richmond
- Antioch
- Concord
- Orinda

Transportation Costs

- $34,388
- $41,536
- $40,127
- $41,471
- $48,346
- $41,956
- $37,191
- $35,847

Housing Costs

- $43,087
- $43,087
- $43,087
- $43,087
- $43,087
- $43,087
- $43,087
- $43,087

% of Median Income Spent on Transportation

- 77%
- 69%
- 59%
- 50%
- 49%
- 81%
- 73%
- 63%
- 60%
- 49%

% of Median Income Spent on Housing

- 69%
- 59%
- 50%
- 49%
- 81%
- 73%
- 63%
- 60%
- 49%
- 46%

San Francisco Bay Area Cities

- Alameda County
- Contra Costa County

- East Palo Alto
- San Mateo
- Daly City
- Hillsborough
- Redwood City
- Los Altos Hills
- Palo Alto
- San Jose
- Sunnyvale
- Santa Clara

San Mateo County

- San Clara County
With average combined costs of housing and transportation consuming over 70% of their income, residents of such cities like Berkeley, San Pablo, Richmond, and East Palo Alto are left with little income for food, childcare and other daily necessities.

**IN MOST CASES,** the average combined costs of housing and transportation are lower in a county’s largest cities relative to the county as a whole or to smaller municipalities in the same county. For example, in Alameda County, the combined costs are far lower in larger cities like Oakland and Berkeley than in a small town like Piedmont with fewer than 4,000 households (see chart).

However, costs that appear relatively affordable may nevertheless consume a large fraction of the residents’ incomes. For example, the combined housing and transportation costs in Berkeley ($34,388) are less than half of the costs in Piedmont ($75,758). But because median incomes in Piedmont exceed $150,000, housing and transportation costs consume only 49 percent of household income, compared to 77 percent for the typical household in Berkeley.
A Bay Area Working Family’s Budget

A Solano County Family
A Solano County firefighter and a teacher’s aide with one preschool-age child together earn an estimated $62,658 annually*—86 percent of the Bay Area median income. After tax,** monthly income is $4,433.

Housing and transportation costs consume about 61 percent of gross income in Solano County, which leaves only $1,238 per month to cover other household expenses:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>-$1,952</td>
</tr>
<tr>
<td>Transportation</td>
<td>-$1,243</td>
</tr>
<tr>
<td><strong>What’s left</strong></td>
<td><strong>$1,238</strong></td>
</tr>
</tbody>
</table>

A family of three in Solano County can expect to incur the following basic expenditures:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child care</td>
<td>-$713</td>
</tr>
<tr>
<td>Food</td>
<td>-$592</td>
</tr>
<tr>
<td>Health care</td>
<td>-$315</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-$321</td>
</tr>
<tr>
<td><strong>Budget Deficit at month’s end</strong></td>
<td><strong>-$703</strong></td>
</tr>
</tbody>
</table>

Spending 61 percent of their income on housing and transportation, this Solano County household is $703 short of covering even their basic essentials like child care and food.

A San Jose Family
A mid-level network engineer with one infant and one elementary school-age child earns an estimated $90,635 annually*—121% of the Bay Area median income. After tax,** monthly income is $6,367.

Housing and transportation costs consume about 58 percent of gross income in Santa Clara County, which leaves only $2,516 per month to cover other household expenses:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>-$2,724</td>
</tr>
<tr>
<td>Transportation</td>
<td>-$1,127</td>
</tr>
<tr>
<td><strong>What’s left</strong></td>
<td><strong>$2,516</strong></td>
</tr>
</tbody>
</table>

A family of three in San Mateo County can expect to incur the following basic expenditures:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Childcare</td>
<td>-$1,451</td>
</tr>
<tr>
<td>Food</td>
<td>-$650</td>
</tr>
<tr>
<td>Health care</td>
<td>-$276</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-$429</td>
</tr>
<tr>
<td><strong>Budget Deficit at month’s end</strong></td>
<td><strong>-$290</strong></td>
</tr>
</tbody>
</table>

Spending 58 percent of their income on housing and transportation, this San Jose household is about $290 short of covering even the essentials like health care and food.

Reductions in combined housing and transportation costs are essential to help working families meet their basic needs.

* Average salaries for these professions in the Vallejo-Fairfield Metropolitan Statistical Area according to salary.com.
** Tax estimates and monthly expenditures with the exception of housing and transportation are based on The Self-Sufficiency Standard for Solano County, CA 2008, produced by Insight Center for Community Economic Development.

* Average salaries for these professions in the San Francisco-San Jose-Oakland Metropolitan Statistical Area according to salary.com.
** Tax estimates and monthly expenditures with the exception of housing and transportation are based on The Self-Sufficiency Standard for San Clara County, CA 2008, produced by Insight Center for Community Economic Development.
FOR PURPOSES OF THIS REPORT, the Bay Area has been divided into seven regions—North Bay, San Francisco, Peninsula, Inner East Bay, Outer East Bay, Silicon Valley, and South Bay—based on physical geography, development patterns, and socioeconomic characteristics. The seven regions broadly group together communities that share similar attributes. For example, dense urban communities like Oakland and Berkeley have more in common with one another than they do with Pleasanton, but all three are located in Alameda County. Rather than look at Alameda County as a whole, this section splits the county into the Inner East Bay and the Outer East Bay.

As Table 5 suggests, San Francisco stands out as a particularly location-efficient region, based in large part on its access to public transit, its walkable communities, and its concentration of jobs. Transportation costs are highest in the Outer East Bay, North Bay, and South Bay. In these regions, the typical household must drive farther and more frequently to reach employment centers and services. In addition to the adverse environmental impacts of extensive driving and the “time tax” associated with long-distance commutes and traffic congestion, this level of auto dependence can strain a household budget. Transportation costs in these regions consume an estimated 20 to 22 percent of the monthly income of a median-income household, which can add $5,000 to $6,000 to the annual transportation bill compared to a household living in San Francisco.
The Regional Perspective: Housing + Transportation Costs

Regional Variations in Combined Costs and Incomes are Significant

ON AVERAGE, a household in the Bay Area spends $41,420 annually on the combined costs of housing and transportation or 59 percent of the Bay Area’s median household income. Within the Bay Area, these costs, as well as the incomes of the households who pay them, vary substantially from region to region. At one end of the spectrum is the South Bay, where combined costs are more than one-third higher than the Bay Area average, with housing costs alone exceeding $40,000. South Bay incomes, too, are exceptionally high, helping residents to
offset the higher costs.

San Francisco and Inner East Bay are the only regions with average combined costs below the nine-county Bay Area average. In San Francisco, access to public transit, employment centers, and a very low rate of auto ownership help produce the lowest transportation costs, equivalent to a savings of more than $7,300 each year compared to the South Bay. In the Inner East Bay, transportation costs are the second lowest among the seven regions, and housing costs are the least expensive. Despite these low costs, Inner East Bay households, on average, spend 63 percent of their income on these combined expenses as a result of their comparably low incomes.

Tied with the Inner East Bay for the highest combined cost burden, North Bay households also spend 63 percent on housing and transportation. Housing costs in the North Bay are comparatively affordable, but the savings are offset by high transportation costs. As a result, the North Bay is the only region with combined costs above the Bay Area average and an average median household income below the Bay Area’s.
ONE-FOURTH OF ALL HOUSEHOLDS in the Bay Area live in neighborhoods where housing and transportation costs account for 65 percent or more of income—a level this report defines as an “extreme housing and transportation cost burden.” As shown in Table 6, in most regions, the typical incomes of neighborhoods with extreme housing and transportation cost burdens fall between $39,000 and $53,000, suggesting that such burdens primarily affect low- to moderate-income households. The Peninsula and South Bay are outliers, where the average median incomes of households within burdened neighborhoods are $61,290 and $75,692, respectively.

In the Inner East Bay, North Bay, and South Bay, more than one-third of all households have extreme housing and transportation cost burdens. In absolute dollar terms, housing and transportation costs in the Inner East Bay are relatively low in comparison to those of the other regions, and both expenditures fall below the Bay Area average. The low transportation costs are due at least in part to the fact that the area is well served by mass transit, and many people work in the region. Incomes, however, are also below average, and neighborhoods with extreme housing and transportation cost burdens have an average median household income of less than $40,000—barely half of the Bay Area median. Extreme cost burdens in these neighborhoods are more a function of the residents’ low incomes than of their housing and transportation costs.

Although the North Bay exhibits a comparable percentage of neighborhoods with extreme cost burdens, similarities with the Inner

### Table 6

<table>
<thead>
<tr>
<th>Region</th>
<th>Households in Neighborhoods where H+T Costs $\geq$ 65% of Income</th>
<th>% of Region’s Total Households</th>
<th>Avg. Housing Costs in these Neighborhoods</th>
<th>Avg. Transportation Costs in these Neighborhoods</th>
<th>Avg. Median Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner East Bay</td>
<td>196,344</td>
<td>34%</td>
<td>$1,595</td>
<td>$936</td>
<td>$39,786</td>
</tr>
<tr>
<td>North Bay</td>
<td>143,454</td>
<td>34%</td>
<td>$2,010</td>
<td>$1,106</td>
<td>$50,673</td>
</tr>
<tr>
<td>Silicon Valley</td>
<td>83,852</td>
<td>15%</td>
<td>$2,191</td>
<td>$1,090</td>
<td>$52,635</td>
</tr>
<tr>
<td>San Francisco</td>
<td>80,028</td>
<td>25%</td>
<td>$2,139</td>
<td>$751</td>
<td>$45,969</td>
</tr>
<tr>
<td>Peninsula</td>
<td>47,391</td>
<td>19%</td>
<td>$2,661</td>
<td>$1,071</td>
<td>$61,290</td>
</tr>
<tr>
<td>Outer East Bay</td>
<td>45,798</td>
<td>13%</td>
<td>$1,748</td>
<td>$1,091</td>
<td>$44,766</td>
</tr>
<tr>
<td>South Bay</td>
<td>11,870</td>
<td>35%</td>
<td>$3,219</td>
<td>$1,269</td>
<td>$75,692</td>
</tr>
<tr>
<td>9-County Bay Area</td>
<td>608,736</td>
<td>24%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Center for Neighborhood Technology Calculations
East Bay end there. Typical monthly transportation costs for these North Bay neighborhoods of $1,106 are the second highest reported in Table 6 and largely offset the comparatively low housing costs in these neighborhoods. Together, the costs of housing and transportation create extreme cost burdens in neighborhoods where the median income is $50,673, or 70 percent of the Bay Area’s median income—leaving little funds for these households to spend on basic necessities.

Housing + Transportation Costs As a Percent of Local Income

- Less than 48%
- 48% to 59%
- 59% to 65%
- 65% and greater
- Insufficient Data

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Current and Future Challenges

“We are the first in the nation to tackle land-use planning. What this will mean is more environmentally-friendly communities, more sustainable developments, less time people spend in their cars, more alternative transportation options and neighborhoods we can safely and proudly pass on to future generations.

— Governor Arnold Schwarzenegger, September 30, 2008

BY EXAMINING the combined costs of housing and transportation, and the subsequent impact on the environment, this analysis presents a more complete measure of the “cost of place” in the Bay Area. Housing that appears affordable based solely on housing costs may not be truly affordable when it is located far from transit, jobs, and/or services. This underscores the importance of broadening our understanding of housing affordability challenges to also include transportation costs and both the “time tax” and environmental impacts of commuting.

Over the next 25 years, the Bay Area is projected to grow by 1.6 million new residents—a 22 percent increase in population. This is an opportunity to integrate land use, housing and transportation policies to encourage new residential development in areas that are well served by public transit or near job centers.

PROMISING POLICY DEVELOPMENTS
The Obama Administration, the State of California and the Bay Area have taken a number of constructive steps to encourage new patterns of growth and cleaner modes of travel by facilitating the development of affordable, transit-oriented housing. For example:

• Through Resolution 3434, Metropolitan Transportation Commission (MTC) encourages increases in residential density near planned public transit stops. MTC also provides grants to help communities plan for this outcome, as well as funds for small-scale...
improvements (e.g., pedestrian walkways, bike lanes, streetscape improvements) that help make it feasible.9
- Senate Bill 375, passed in 2008, directs MTC to develop coordinated housing, land use, and transportation plans that lower carbon dioxide emissions and favor transit-oriented development.
- Proposition 1C authorized over $1 billion in state housing bonds for the development of transit-oriented housing and infill infrastructure. Roughly half of the housing units planned in the first round of funding will be affordable to households earning 80 percent of the area median income or less.10
- A regional joint committee identified approximately 120 areas in 60 Bay Area jurisdictions as either planned or potential Priority Development Areas (PDAs), defined as “locally designated land where future growth can be channeled, at sufficient densities to take advantage of existing infrastructure and services, especially transit service.” In total, these Priority Development Areas represent less than 3 percent of the Bay Area’s total land mass but could accommodate more than half of the Bay Area’s projected housing growth through 2035.11
- The Sustainable Communities Initiative brings three federal agencies—Environmental Protection Agency, U.S. Department of Housing and Urban Development, and U.S. Department of Transportation—together in an unprecedented effort to align federal policies and funding for housing and transportation projects.

LOOKING FORWARD
While the Bay Area has made progress in aligning land use, housing and transportation policies, much work remains to be done. The data provided in this report on the housing and transportation challenges faced by Bay Area households and the consequences for the environment may help expand awareness of the problem and build support for the resources and high-level policy attention needed to address it effectively.
Methodology

THE ORIGINAL HOUSING + TRANSPORTATION COST MODEL
The Housing + Transportation (H+T℠) Affordability Index was developed by the Center for Neighborhood Technology (CNT) and its collaborative partner, the Center for Transit Oriented Development (CTOD), with support from the Brookings Institution’s Metropolitan Policy Program’s Urban Markets Initiative. This cost index has been applied to 52 metro areas in the United States, and is unique in that it measures the joint transportation and housing affordability at a neighborhood level (see www.htaindex.cnt.org).

TRANSPORTATION COSTS
The transportation costs estimated in this model and used in this report are more than the cost of commuting to and from work. They also include trips to and from school, errands, and other travel that is part of the household daily routine. The methods for the cost model draw from peer-reviewed research findings on the factors that drive household transportation costs. The model assumptions, calculations, and methods have been reviewed by practitioners at the Metropolitan Council in Minneapolis-St. Paul, fellows with the Brookings Institution, and academics from the University of Minnesota, Virginia Polytechnic, Temple University, and elsewhere, specializing in transportation modeling, household travel behavior, community indicators, and related topics.

Specifically, the transportation cost model incorporates four neighborhood variables (residential density, average block size, transit connectivity index, and job density) and four household variables (household income, household size, workers per household, and average journey to work time) as independent variables. These variables are used to predict, at a neighborhood level (census block group), three dependent variables—auto ownership, auto use, and public transit usage—that determine the total transportation costs.

HOUSING COSTS
Housing costs were determined using the census variables Selected Monthly Owner Costs (SMOC) for
Owners with a Mortgage and Gross Rent for Renters Paying Cash (GR). SMOC is defined as the sum of payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property (including payments for the first mortgage, second mortgage, home equity loans, and other junior mortgages); real estate taxes; fire, hazard, and flood insurance on the property; utilities (electricity, gas, and water and sewer); and fuels (oil, coal, kerosene, wood, etc.). It also includes, where appropriate, the monthly condominium fees or mobile home costs (installment loan payments, personal property taxes, site rent, registration fees, and license fees).

Gross Rent (GR) is defined as the contract rent plus the estimated average monthly cost of utilities (electricity, gas, water, and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid by the renter (or paid for the renter by someone else). Using gross rent eliminates differentials that result from varying practices with respect to including utilities and fuels as part of the rental payment. The estimated costs of utilities and fuels are reported on an annual basis but are converted to monthly figures for the tabulations.

The census reports aggregate values for both of these variables as well as the count of owners and renters used to compile the different aggregates. Therefore, to find an average value for SMOC and GR, the aggregate is divided by the number of households making up the aggregate value. For the purposes of this study, housing costs are estimated using only renters paying cash and owners paying mortgages. Renters paying with vouchers (e.g., subsidized housing) and owners who no longer have mortgage payments are therefore excluded.

For a full description of the methods used in the original Housing + Transportation Affordability Index, see www.htaindex.cnt.org/model_summary.

UPDATING THE ORIGINAL MODEL TO 2005 - 2007

Input data for the original model are primarily composed of 2000 US Decennial Census block group data and values that were created and calculated based on these data. Since the most recent data are for 2000, estimates for 2005-2007 were carried out using a recognized procedure called the “constant-share method,” which considered the percent change of variables from 2000 to 2005-2007 within the Public Use Microdata Areas (PUMAs). PUMA data for 2005-2007 were obtained from the American Community Survey (ACS) 3-year estimates while 2000 US Census block group data were aggregated to the same PUMA boundaries. Once the percent changes were calculated between the two time periods for each PUMA for each variable, these values were then used as multipliers. Year 2000 values for each block group within each PUMA were multiplied by this percent change to estimate 2005-2007 values at the block group level.

Transportation costs were updated by applying new cost factors to the model’s estimates of vehicle miles traveled and automobiles per household. These cost factors were based on the 2006 AAA estimates of costs for owning and operating a vehicle, which are estimated to be $5,569 per auto and 15.1 cents/mile for fuel ($2.41/gallon), maintenance, and tires.
References

(ENDNOTES)


2 The federal standard is that housing costs should consume no more than 30 percent of household income. Data are from the 2007 American Community Survey.


6 These regions were developed because the main drivers of transportation costs—particularly features of the built environment (e.g., public transit rails and routes, residential density, the proximity of employment centers) and socioeconomic characteristics (e.g., household income and composition)—do not always adhere to city or county boundaries.

7 We focus here on the Inner East Bay and North Bay because they are much larger than the South Bay, and thus contain many more people with extreme cost burdens, and because the comparatively higher income of South Bay residents suggests they are better able to afford other essential costs.


Calculator

What does Housing and Transportation cost YOU in the Bay Area?

Find out with the Housing and Transportation Cost Calculator.

The ULI Terwilliger Center for Workforce Housing is pleased to announce its Housing + Transportation Cost Calculator to the Bay Area to provide consumers with up-to-date cost data to make informed housing decisions based on housing and transportation costs.

To access the calculator, go to www.bayareaburden.org