HELPING HOUSEHOLDS AND COMMUNITIES RECOVER FROM THE HOUSING CRASH

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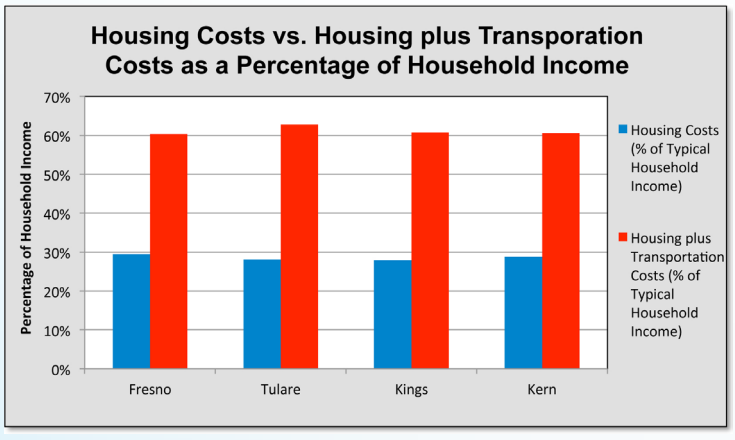
A. LOCATION EFFICIENCY AND LOWER TRANSPORTATION COSTS

Transportation costs have a surprising impact on housing affordability, which affects both individual households and the broader housing market.[1] The Center for Neighborhood Technology's Housing + Transportation Affordability Index, a tool that compares housing costs with housing plus transportation costs as a percentage of household income, shows just how great this impact can be. In Fresno County, for example, housing costs typically amount to 29.54% of income, but housing and transportation together consume 60.37%.[2] The contrast is even greater in Tulare, where the typical household spends 28.06% of income on housing, but 62.77% on housing and transportation combined.[3] As the graph below illustrates, the same pattern holds true for Kings and Kern: less than 30% of income is devoted to housing, while housing and transportation together consume more than 60%.[4] This means that in all four counties of the Southern Sierra and Southern San Joaquin Valley, the typical household devotes more than 30% of its income to transportation.

Photo: Ben Lunsford, 2008.



Housing costs versus housing plus transportation costs as a percentage of the typical household income, based on values from the Center for Neighborhood Technology's Housing + Transportation Affordability Index (Center for Neighborhood Technology, 2013).[5]

Dollars spent on transportation cannot be used to pay off mortgages. A recent study found that "location efficiency"—a combination of vehicles per household (controlling for income) and neighborhood walkability as measured by WalkScore® (www.walkscore.com) —has a statistically significant effect on mortgage default rates.[6] Households that own higher numbers of vehicles are more likely to default on their mortgages,[7] possibly because they are more vulnerable to increases in gas prices.[8] In wealthier areas, the probability of mortgage default declines as a neighborhood's WalkScore® increases.[9] These effects are so strong that the authors argue for incorporating location efficiency into mortgage underwriting decisions.[10]

Development patterns that make housing and transportation unaffordable not only weaken the housing market, but also affect the finances of local governments. A dramatic illustration of this occurred in 2012, when the City of San Bernardino declared bankruptcy. A budgetary analysis found that City revenues had decreased by approximately $11.7 million in only four years, rendering the City insolvent.[11] $5.3 million of the decline was due to lower property tax revenues.[12] In short, a city where the typical household spends more than 59% of its income on housing and transportation[13] was pushed into bankruptcy partly by a weak housing market.

But the Southern Sierra and Southern San Joaquin Valley need not follow San Bernardino's example. More compact patterns of development can make the housing market—and

Photo: Sanjib Lamar, 2006.

the finances of governments that rely on property tax revenue—more resilient by reducing the amount that households spend on transportation.[14] This, in turn, can make the region less vulnerable to increases in gas prices, and enable its residents to put money that would otherwise be spent on transportation into other sectors of the economy. Thus, from individual households and businesses to city and county governments, location efficient growth is good for the bottom line.

Photo: John Greening, 2012.

B. INCREASED PROPERTY VALUES FROM PROXIMITY TO OPEN SPACE

Land conservation and compact growth can also increase property values by protecting open space that would otherwise be lost to low density development. Though the connection between open space and higher property values has been known since the nineteenth century,[15] it has been reestablished in a number of recent studies.[16] The home value premium added by open space is highly case-specific,[17] though it is likely to be affected by distance and how the open space is used. For example, a 2007 study found that parks of over 30 acres affect property values more than 1,500 feet from park borders, with even more noticeable effects within 600 feet.[18] Increases are likely to be higher near natural passive-use parks, which can add up to 20% to the value of nearby homes, than near active-use parks, such as outdoor sports facilities.[19]

Through its effects on tax rolls, open space can also benefit city and county governments. In areas immediately adjacent to open space, property tax revenues are higher, and can often pay for the long-term protection of parks that keep them that way—a principle that funded New York City's Central Park, London's Regent Park, and many others.[20] Closer to home, a 1999 study estimated that open space associated with the San Joaquin River Parkway had the potential to raise nearby property values by a total of more than $34 million ($47 million in 2013 dollars).[21] Moreover, a 2001 study found that "agricultural and open space land pay[s] significantly more in taxes than it requires in servicing from local governments."[22]

Open space protection can thus make the region's economy more resilient in three ways: 1) by increasing home values, it can improve the finances of individual households; 2) by increasing property tax revenues, it can contribute to the financial stability of local governments; and 3) by avoiding the need for new infrastructure, it can save money for taxpayers.

[1]Center for Neighborhood Technology, 2010.

[2]Center for Neighborhood Technology, 2013.

[3]Center for Neighborhood Technology, 2013.

[4]Center for Neighborhood Technology, 2013.

[5]A "typical household" is at the regional median for income and the regional average for number of members and number of commuters. Center for Neighborhood Technology, 2013.

[6]Rauterkus et al., 2010.

[7]Rauterkus et al., 2010.

[8]Center for Neighborhood Technology, 2010.

[9]Rauterkus et al., 2010.

[10]Rauterkus et al., 2010.

[11]City of San Bernardino, 2012.

[12]City of San Bernardino, 2012.

[13]Center for Neighborhood Technology, 2013.

[14]Center for Neighborhood Technology, 2010; Rauterkus, 2010. Since residents of the most sprawling areas can lose 240 hours per year to peak period travel, policies that favor location efficient housing can also improve commuters' quality of life. Cortright, 2010.

[15]Crompton, 2005.

[16]Kroeger, 2008; Crompton, 2007; McConnell and Walls, 2005; Curran, 2001.

[17]Shoup and Ewing, 2010.

[18]Crompton, 2007.

[19]Crompton, 2005; Curran, 2001.

[20]Crompton, 2005.

[21]Houser and North, 1999; U.S. Bureau of Labor Statistics, 2013.

[22]Curran, 2001.