

The “Housing + Transportation Index” and fair housing

By Philip Tegeler and Hanna Chouest¹

With their comprehensive “Housing + Transportation Index,” The Center for Neighborhood Technology (CNT) has developed a useful tool for estimating the combined cost of housing and transportation – the two largest shares of most family budgets – for homebuyers in 337 metro areas.² The index can be used to move land use and development decisions away from sprawl, and to inform individual family choices by emphasizing the transportation costs associated with lower priced exurban homes.

However, the index is inappropriate as a tool for siting new low income family housing. To be fair, CNT has indicated that it intends the index to be consistent with fair housing goals, but without a strong fair housing overlay, the index has the potential to (once again) steer low income families into more segregated, higher poverty neighborhoods. Such a use of the index would reinforce separate and unequal development patterns that are the opposite of smart growth.

The H+T Index does not reflect the true cost of housing location for low income families

For purposes of siting new assisted housing units for low income families, we agree that it makes sense to look not just at the cost of the housing, but also the other costs and benefits associated with a proposed location. In order to expand choice and access to opportunity, policymakers should consider all costs – not just transit – in making location decisions. In particular, the overall costs of living in higher poverty vs. lower poverty communities should be considered.

Direct costs: Groceries

Research has shown that families living in poor neighborhoods pay more for the same groceries as those living in wealthier communities due to a lack of large, chain grocery stores in low income neighborhoods, which leaves small stores lacking the range of products or the large economies of scale that help drive down prices at chain stores.³ Groceries constitute a large

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² Center for Neighborhood Technology, *Penny Wise, Pound Foolish: New Measures of Housing+Transportation Affordability* (March 2010).

³ The Brookings Institution Metropolitan Policy Program, *From Poverty, Opportunity: Putting the Market to Work for Lower Income Families* at 20, (2006); Dana Brunnett, *Supermarket Access in Low-Income Communities*, Prevention Institute (1995); Kimberly Morland, et al., *Neighborhood Characteristics Associated with the Location*

portion of a household budget for low income families; one study estimates 17%.⁴ Thus, when calculating the cost of living in a particular neighborhood, ignoring increased food costs could lead to inaccurate assumptions about affordability.

Direct costs: Financial Services

Low-income residents living in disadvantaged neighborhoods pay more for basic financial services such as check cashing, short-term loans, tax preparation and money transfers than higher income households.⁵ A low-income family can spend thousands of dollars more in extra costs for these services, depending on the extent to which they use them and the types of services they use.⁶ These high-cost options are much more densely concentrated in disadvantaged neighborhoods, while banks remain underrepresented.⁷

Direct costs: Cars and Car-Related Products

While the H&T index does account for transportation costs, it does not reflect the fact that many low-income families pay a higher purchase price for a car than higher-income families⁸, and often pay higher insurance rates, depending on where they live⁹. Low income consumers can pay on average \$500 more for the very same car as a higher-income person.¹⁰ Other car costs which are generally higher for low-income consumers living in cities include car loans and car insurance.¹¹

of Food Stores and Food Service Places, 22 AMERICAN JOURNAL OF PREVENTATIVE MEDICINE 23, 23-29 (2002); Phillip R Kaufman, et al., *Do the Poor Pay More for Food? Item Selection and Price Differences Affect Low-Income Household Food Costs*, (Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture. Agricultural Economic Report No. 759, 1997).

⁴ Claudia Williams, et al., *Low-Income families' Spending Patterns: Implications for Health Policy*, Kaiser Commission on Medicaid and the Uninsured (2004).

⁵ Daniel Immergluck & Marti Wales, *Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development*, Woodstock Institute 41, 41-44 (1999); Kathleen C. Engel & Patricia A. McCoy, *From Credit Denial to Predatory Lending: The Challenge of Sustaining Minority Homeownership*, in SEGREGATION: THE RISING COSTS FOR AMERICA at 82-123 (James H. Carr & Nandinee K. Kutty, eds., 2008); Paul S. Caletmet al., *Neighborhood Patterns of Subprime Lending: Evidence from Disparate Cities*, 15 HOUSING POLICY DEBATE 1, 1-23 (2004); Nat'l Fair Hous. Alliance, 2008 Fair Housing Trends (2008), at 32-33, <http://www.nationalfairhousing.org/Portals/33/reports/2008%20Fair%20Housing%20Trends%20Report.pdf>; The Brookings Institution Metropolitan Policy Program, *supra* note 2, at 20.

⁶ The Brookings Institution Metropolitan Policy Program, *supra* note 2, at 20.

⁷ Daniel Immergluck & Marti Wales, *supra* note 4; Kathleen C. Engel & Patricia A. McCoy, *supra* note 4; Nat'l Fair Hous. Alliance, *supra* note 4.

⁸ Howard Jacob Kargera, *No Deals on Wheels: How and Why the Poor Pay More for Basic Transportation* 7 JOURNAL OF POVERTY 93, 93-112 (2003); See also Annie E. Casey Foundation, *Pursuit of the Dream: Cars and Jobs in America* (2008), available at <http://www.aecf.org/MajorInitiatives/FamilyEconomicSuccess/PursuitoftheDream.aspx>.

⁹ Gregory D. Squires et al., *Urban Decline or Disinvestment: Uneven Development, Redlining, and the Role of the Insurance Industry*, 27 SOCIAL PROBLEMS 79, 79-95 (1979); Paul Ong, *Auto Insurance Redlining in the Inner City*, 25 ACCESS 40, 40-41 (2004); See also Scott E. Harrington & Greg Niehaus, *Race, Redlining, and Automobile Insurance Prices*, 71 THE JOURNAL OF BUSINESS at 439, 439-469 (1998).

¹⁰ The Brookings Institution Metropolitan Policy Program, *supra* note 2, at 35.

¹¹ Paul Ong & Michael Stoll, *Redlining or Risk: A Spatial Analysis of Auto Insurance Rates in Los Angeles*, 26 JOURNAL OF POLICY ANALYSIS AND MANAGEMENT, 811, 811-830 (2007); The Brookings Institution Metropolitan Policy Program, *supra* note 2, at 36-37; See also Consumer Federation of America. *The Hidden Markup Of Auto Loans: Consumer Costs Of Dealer Kickbacks And Inflated Finance Charges* (2004).

Indirect costs: access to quality schools, employment, safe and healthy neighborhoods

Indirect costs, while difficult to quantify, are important to take into consideration when evaluating neighborhood costs and benefits. Indirect factors impacting the cost or “value” of a particular neighborhood include: quality of local schools¹²; access to employment¹³; exposure to environmental hazards¹⁴; exposure to crime¹⁵; health outcomes¹⁶; access to different types of social networks¹⁷; and quality of municipal services¹⁸. Research indicates that about two thirds of low-skill job openings are located in predominantly white suburbs, with over half of these jobs accessible by public transportation.¹⁹ Additionally, neighborhood poverty has been shown to negatively affect residents’ long term economic mobility.²⁰ When added up, these factors suggest that new low income family housing be sited in lower poverty, opportunity rich

¹² Deborah McKoy and Jeffrey Vincent, *Housing and Education: The Inextricable Link*, in SEGREGATION: THE RISING COSTS FOR AMERICA at 128; Sandra E. Black *Do Better Schools Matter? Parental Valuation of Elementary Education*, 114 QUARTERLY JOURNAL OF ECONOMICS 577, 577-599 (1999); Brief of Latino Organizations as Amici Curiae, *Parents Involved v. Seattle Sch. Dist. No.1*, 551 U.S. 701 (2007), at 25; The Century Foundation, *Can Separate Be Equal? The overlooked Flaw At The Center of No Child Left Behind* (2004). Available on-line at: <http://www.equaleducation.org/publications.asp?pubid=468>; Jason Reece and Samir Gambhir, *The Geography of Opportunity: Review of Opportunity Mapping Research Initiatives*, The Kirwan Institute (Sept., 2008); Joanna Duke-Lucio et al., *The Latent and Sequential Costs of Being Poor: An Exploration of Housing*, 2 Poverty & Public Policy (2010); George Galster, *Housing Discrimination and Urban Poverty of African Americans*, 2 JOURNAL OF HOUSING RESEARCH 87, 87-122 (1991); Nat’l Comm’n on Fair Hous. And Equal Opportunity, *The Future of Fair Housing* (Dec. 2008) at 2, available at http://www.civilrights.org/publications/reports/fairhousing/future_of_fair_housing_report.pdf/.

¹³ Keith R. Ihlanfeldt & Madelyn V. Young, *The Spatial Distribution of Black Employment between the Central City and the Suburbs*, 34 ECONOMIC INQUIRY 218, 218-242 (1996); Gary Barnes, *Transportation & Regional Growth Study Examines Job Access For Low-Income Households*, Center for Transportation Studies, University of Minnesota (November 2000). Available on-line at: <http://www.cts.umn.edu/trg/news/2000/jobaccess.html>; John Kain, *The Spatial Mismatch Hypothesis: Three Decades Later*, 3 HOUSING POLICY DEBATE 371, 371-392 (1992); Jason Reece and Samir Gambhir, *supra* note 11.

¹⁴ See, e.g., discussion in Mary Frances Berry et al., *Not in My Backyard: Executive Order No. 12,898 and Title VI as Tools for Achieving Environmental Justice*, (U.S. Comm’n on Civil Rights, 2003) at 13 et seq., available at <http://www.usccr.gov/pubs/envjust/ej0104.pdf>.

¹⁵ C.L. Storr, et al., “*Unequal Opportunity*”: *Neighbourhood Disadvantage and the Chance to Buy Illegal Drugs*. 58 JOURNAL OF EPIDEMIOLOGY AND COMMUNITY HEALTH 231, 231-237 (2004); Caterina G. Roman & Carly Knight, The Urban Institute, *An Examination of the Social and Physical Environment of Public Housing Residents in Two Chicago Developments in Transition*, at 6-9, (May, 2010); Jason Reece and Samir Gambhir, *supra* note 11.

¹⁶ Christopher R. Browning and Kathleen A. Cagney, *Moving Beyond Poverty: Neighborhood Structure, Social Processes and Health*, JOURNAL OF HEALTH AND SOCIAL BEHAVIOR 44: 552, 552-571 (2003); Douglas S. Massey, *Segregation and Stratification: A Biosocial Perspective*, 1 DU BOIS REVIEW 1, 1-19 (2004); Ingrid G. Ellen, *Is Segregation Bad for Your Health? The Case of Low Birth Weight*, in BROOKINGS-WHARTON PAPERS ON URBAN AFFAIRS at 203-238 (W.G. Gale & J.R. Pack, eds., 2000); Caterina G. Roman & Carly Knight, *supra* note 13 at 9-13; Joanna Duke-Lucio et al., *supra* note 11.

¹⁷ Rachel Garshick Kleit, *Neighborhood Segregation, Personal Networks, and Access to Social Resources*, in SEGREGATION: THE RISING COSTS FOR AMERICA at 237-60 (James H. Carr & Nandinee K. Kutty, eds., 2008); Nancy A. Denton & Douglas S. Massey, AMERICAN APARTHEID: SEGREGATION AND THE MAKING OF THE UNDERCLASS 91 (Harvard University Press 1993); Nat’l Comm’n on Fair Hous. And Equal Opportunity, *supra* note 11.

¹⁸ Nat’l Research Council, *Governance and Opportunity in Metropolitan America* 31 (Altshuler et. al. eds. 1999) (citing Burns 1994); Jason Reece and Samir Gambhir, *supra* note 11.

¹⁹ Margery Austin Turner, *Residential Segregation and Employment Inequality*, in SEGREGATION: THE RISING COSTS FOR AMERICA at 166 (James H. Carr & Nandinee K. Kutty, eds., 2008).

²⁰ Patrick Sharkey, *Neighborhoods and the Black-White Mobility Gap*, The Pew Charitable Trusts, (2009); Harry Holzer et al., *The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor*, Center for American Progress (Jan., 2007); Jason Reece and Samir Gambhir, *supra* note 11; Joanna Duke-Lucio et al., *supra* note 11.

communities.²¹ They are also a reminder of the need to dramatically improve services and outcomes for low income families living in neighborhoods where the government has located low income housing in the past.

Overall, the H&T index provides a comprehensive tool that can be used to estimate the cost of housing in a particular neighborhood. However, because it does not take into account fair housing considerations and it misses many of the other costs associated with housing location, it should be used cautiously as a factor in siting low income family housing. A better approach is proposed in a new report from the Urban Institute and the NYU Furman Center, “Building Environmentally Sustainable Communities: A Framework for Inclusivity.” This report combines opportunity metrics with access to transit and walkability to show how low income families can benefit from smart growth policies without being further marginalized.²²

²¹ Jason Reece and Samir Gambhir, *supra* fn 11.

²² Vicki Been, Mary Cunningham, et al, *Building Environmentally Sustainable Communities: A Framework for Inclusivity*, Urban Institute and Furman Center for Real Estate and Urban Policy (2010); *See also* David Rusk, *Building Sustainable, Inclusive Communities: How America can pursue smart growth and reunite our metropolitan communities*, PRRAC and Building One America, May 2010.

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