



## True Cost to Rent: Transportation Costs and Housing Affordability

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Edmunds.com has a “True Cost to Own” calculator that helps people shopping for cars figure out how much it will really cost to own a car for five years. The cost to own over five years is a lot more than the just purchase price. Edmund’s calculator includes depreciation, taxes and fees, financing, fuel, insurance, repairs, and maintenance to come up with a True Cost to Own.



Predictably, over five years a Honda Civic is cheaper to own than an Audi A3. What may be less obvious is that it is also more expensive to own a Honda Civic in some parts of the country than others. Edmunds lets you select the zip code in addition to the car year, make, and model. I ran the numbers for a new a Honda Civic in my current zip code in Philadelphia and again in the zip code in rural Iowa where I grew up. It costs more to own the Civic in rural Iowa.

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you add housing and utility costs, which are typically the costs used to determine if housing is affordable, you will find large portions of rural America with the combined costs from those three things coming in at more than 100% of income. While urban areas fair relatively better when compared to rural areas for their tendency to have public transportation, the access to public transportation and the costs that people experience can be highly uneven — a fact that is obscured by the averages. No matter where very low or extremely low-income households are living, they are being expected to spend an unsustainable portion of their income on housing, utilities, and transportation.

Given the extraordinary level of attention being paid to housing issues in America right now, this is the perfect time to step back and think critically about what costs should be included when we consider housing affordability. Focusing on renters, who tend to have lower incomes than homeowners — and who are facing the affordability crisis and the eviction crisis, I propose we spend some time thinking about the “True Cost to Rent.” The cost of housing and utilities are necessary, but are not sufficient to assess the cost of an apartment. Focusing only on rent and utilities alone is much like assuming all you needed to worry about for your new car would be covering the note and paying for gas. Broadening our understanding of affordability helps us see the problem better — and opens up the possibility of finding solutions in areas where we have not been looking.

### **Location, Location, Location**

As the saying goes, the three most important things in real estate are: location, location, location. There are various aspects to location that matter when you

are buying a house, but one of them is the proximity of the house to where you work, where you kids go to school, and where you like to spend your free time. Where your home is located relative to where you need to go has a significant impact on how much you pay for transportation. It determines whether public transit is an option and, if not, determines how much time and gas you must spend commuting.

The same questions apply for renters, but the question of location is likely even more significant from a cost perspective. Because renters tend to be lower income than homeowners overall, they are less likely to be able to absorb unexpected expenses. For very low and extremely low income households, containing transportation costs is of vital importance.

### The Traditional Definition of Affordable Housing

Housing is considered affordable if the occupants are paying 30% or less of their monthly income on rent and utilities. This guideline is not only employed in the affordable housing community but has also been more broadly adopted. You will find it in any number of online affordability calculators (for renting or buying a home). It is far easier to find housing that is affordable to you if you have a higher income. For those with higher incomes, the market provides. Those with lower incomes (and even people with higher incomes in very high costs areas) have a much harder time.

The group with the most challenging environment to find housing that is affordable to them is the group we housers call “extremely low-income.” “Extremely low income” essentially means a household that earns between 0 and 30% of the Area Median Income (AMI). Although the conversion from AMI to poverty is not a straightforward calculation, people in this group are generally going to be income qualified to receive legal services. These folks are the people who have the largest housing cost burdens and have the largest shortage of affordable and available unit — 7 million! (The Gap — A Shortage of Affordable Homes 2019, National Low Income Housing Coalition, <https://reports.nlihc.org/gap/>.)

After decades of housing advocates working to raise awareness about the dearth of affordable housing for low-income households, politicians are getting the message. Leaders from the local to the national levels are talking about the affordable housing crisis and proposing increases in funding. At the same time, legal aid attorneys across the country are pushing to educate local leaders and funders about the eviction crisis — and the need for legal representation for tenants. I

fear that before we know it, the interest in low-income housing issues will evaporate; that we will not have another shot like this in our careers. If this is our one shot to shape the conversation and provide information that will inform how new money is spent, what can we say that will reaffirm the importance of affordable housing, but also make that concept more robust and more reflective of the costs that are tied to the particular building or unit where people live?

### Affordable Housing 2.0: Housing, Utilities and Transportation

Researchers and advocates suggest housing (with utilities and transportation) is affordable, if the resident household is paying no more than 45%-50% of their income. CNT, in connection with its Housing + Transportation Affordability Index (“H + T”) (<https://www.cnt.org/tools/housing-and-transportation-affordability-index>) suggests the cutoff should be 45%. PolicyMap states that the average spent on those three things is around 50% of a household’s income.

If we are shooting for 50% or less, we have a lot of work to do.

H + T finds that if you use the 30% figure to look at housing and utility affordability, “a little over half (55%) of U.S. neighborhoods are considered ‘affordable’ for the typical household.” When transportation costs are added in, “the number of affordable neighborhoods drops to 26%...” (<https://www.cnt.org/tools/housing-and-transportation-affordability-index>).

If you look at the burdens of lower-income households when all three factors are included, the results are astounding. According to PolicyMap’s “Percent of income spent on housing and transportation by a very low-income individual, as of 2019,” in most of the country, very low-income households (30-50% of AMI) are paying 99% or more! Let that sink in. (Interactive map available at: <https://www.rhls.org/2020/01/quick-take-housing-affordability-transit-costs/>)

Having access to public transit makes a difference in these calculations. Urban areas across the country have lower estimated burdens than rural areas. It makes sense. While public transit is not exactly cheap, it is cheaper than the only viable option in most rural areas — owning a car.

Rural areas have extremely high housing + transportation costs. A significant portion of the entire country shows 118% or more of the household income for a single very low-income person goes to housing plus transportation. However, while urban areas overall look better than rural areas in the PolicyMap, the

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averages hide some important realities.

CREATE Lab at Carnegie Mellon University created a series of maps that look at housing and transportation costs over time and with information about neighborhood demographic changes. One of the trends that was apparent in the data was that many of the areas with the lowest housing + transit costs (and busses per hour) have lost Black population over time. (A snapshot and a link to their full story is available at: <https://www.rhls.org/2020/01/quick-take-housing-affordability-transit-costs/>.)

Similarly, a 2019 report from PEW found that Philadelphians pay a higher percentage of their income on public transit than comparison cities (in part because incomes in Philadelphia are so low). The PEW report finds uneven distribution of costs. “Census data show that the jobs held by higher-earning residents tend to be concentrated in Center City and University City, areas that are generally less expensive to access using public transit, while lower-salaried jobs are dispersed throughout the city and region — and getting there can be more expensive.” The report talks specifically about the cost to transfer from one line to another, which is more likely for people who are not commuting to Center City or University City. The PEW report also raises the issue of how many lower income commuters can afford the up-front fee for a monthly pass (which gets you the cheapest rate). (<https://www.pewtrusts.org/en/research-and-analysis/reports/2019/07/24/the-cost-of-commuting-for-philadelphians>.)

### **Building Transportation into Legal Aid Responses**

Legal aid staffers have something to say about what affordability looks like. Housing policy is dominated by development folks, making it too easy for conversations to focus on buildings and dollars. In that policy environment, the evolving needs of low-income people whom the housing is being built for risk getting overlooked. Legal aid, with its focus on people experiencing poverty, does not have that risk. In addition, legal

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aid attorneys are very active on housing issues. The Legal Services Corporation (LSC) 2018 report showed that housing cases were the second highest category of closed cases; the majority of those were private landlord/tenant cases. Programs across the country are also serving on work groups looking at policy and program solutions to address the eviction crisis as well as digging in on issues of utility access and affordability. While this article focuses on housing affordability, transportation is deeply implicated in employment, medical, income, and other practice areas.

In the same way that there are a wide range of ways that transportation costs present in different parts of the country and for different people, there are a range of responses that legal services programs could take with this new knowledge. Undoubtedly, the best ideas will be generated by thoughtful, forward-looking managers and their committed front-line staff. But, to help you get the conversation started, I’m sharing a few ideas:

#### *Advocate*

Where you have the freedom to engage in policy advocacy, do it. There are possibilities to influence how housing dollars get allocated from the local to federal levels. The Low-Income Housing Tax Credit (LIHTC) is administered at the state level (and some cities). Watch for when your agency issues a draft Qualified Allocation Plan (QAP). Provide comments about the need to address transportation costs — and how that differs from rural to urban areas. You can also work with local legislators and agency heads to build in transportation costs as part of the definition of what is affordable.

You can also look at the cost of transportation-related fees and fines and how they disproportionately affect low-income households. For example, in January 2020, Illinois took the step of reinstating 55,000 drivers licenses which had been suspended due to unpaid fines and fees from parking tickets and other non-moving violations. (<https://www.chicagotribune.com/politics/ct-jb-pritzker-license-suspension-unpaid-tickets-20200117-y6gej7q6k5gitcoqre6hut5yuy-story.html>.)

#### *Educate*

If you cannot advocate, educate. The same information can be shared with relevant parties and the public in a neutral way that helps people understand the issues. There are broader issues related to transportation and access to services that fly under the radar. In urban areas you can educate about the disproportionate

burdens of transit costs on low-income households and the effects of discount fares for low-income riders. In rural areas you can educate about the pros and cons of improved technology infrastructure and reduced internet access fees to increase access to a range of services.

### *Connect*

Be a connector. Consider whether it is possible to cultivate relationships with organizations working on energy and environmental issues. Some of the national groups are increasingly looking to connect more directly with low-income households and communities. You might be able to be the bridge between your interested clients and other organizations that can take on systemic advocacy and coalition-building.

### *Assess Your Client Needs*

Spend some time thinking about how you can look for and address transportation-related issues for your housing clients. There are also strong connections to transportation with work on Income, Consumer, Health, Employment (which represent the next four problem categories in terms of volume per the LSC data for 2018). What you can do is going to depend on the scope of your services and the problems that arise in your area. Depending on your organizational culture and workflows, you might add a question as part of intake that may allow you to start seeing whether and how transportation issues are affecting those key substantive areas.

### *Brainstorm*

You could convene a meeting with people in different substantive areas to talk about where transportation issues are affecting clients — and how they overlap. You could do the same thing by raising the issues in cross-organization working groups. For example, at a recent working group coordinated by the Reinvestment Fund's Policy Solutions group, we reviewed their preliminary (not yet published or refereed) data that appears to indicate that more than half of Philadelphia renters facing eviction have past due rent claims against them of \$2,000 or less. A solution could be to create an emergency fund for renters (something Pittsburgh is working to implement now). You could also start to explore whether giving people access to discounted public transportation (if you do not already have that) might free up a non-trivial portion of that \$2,000.

### *Think About Your Own Location*

Plan to do a periodic assessment of how much it

costs (in time and money) for your clients to get to you (if you require them to come in). Think about who your policies may be inadvertently deterring. Work with clients to think outside the box about how to increase access and decrease costs. There is a potential in both urban and rural areas to look to technology to help with some of these access and costs issues.

Another approach is to consider co-locating your office with other key service providers — or even in affordable housing. In Philadelphia, there is a push underway to create an Equal Justice Center, which would be located at an underused rail station and would include subsidized affordable housing on-site. While a project like this is hard to pull-off and may not work in every location, there are affordable housing developers who include commercial units on the main floors and affordable housing above. Often, when these developments are in lower income areas those units can remain vacant. If you have the flexibility to move an office to one of those locations, benefits could accrue to all parties involved. Another option is to hold clinics or information sessions in the community spaces inside affordable housing developments.

Transportation has been overlooked for too long as a significant housing-determined cost for low-income households. Your work with low-income tenants on housing and a range of other issues gives you insights into the interrelated set of issues that cause and maintain poverty — including transportation costs. Whatever issues affect your clients the most and whichever approaches work best for your organization, we will all be better off if you engage internally, with your clients, and with your partners to trace the effects of transportation costs on your clients.

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