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# The Link Between Housing Affordability and Transportation

## In a Nutshell

- Housing and transportation take up approximately half of an average household’s budget, costs that largely reflect aspects of the built environment, like population density and land use patterns.
- More investments in housing developments near public transportation will be key to reducing the cost of living.
- Michigan’s approach to regional transit presents a barrier to transit-oriented development.

Housing is the largest household expense for most families, followed by transportation costs. Together, housing and transportation take up approximately half of an average household’s budget, and an even larger proportion for low and moderate income households. Several state policies focus on increasing the supply of housing to address affordability concerns. While increased supply is an important element of the housing affordability debate, transportation costs should be considered as well. Neglecting transportation needs of households when fashioning housing policy solutions may reduce the effectiveness of those policies. If transportation costs are not considered, households may exchange housing affordability for increased transportation costs.

## Affordable Housing is Linked to Transportation

Housing (including utilities) is generally considered affordable if it requires no more than 30 percent of a household’s income. This definition is widely used and accepted, but it fails to take into consideration the transportation costs associated with housing location. In general, if housing is not located near job centers, healthcare, or grocery stores, transportation costs will tend to be higher. For low- and moderate-income households, this tradeoff can result in transportation costs that meet or exceed the cost of housing by itself. Transportation costs also depend on neighborhood characteristics – taking up as much as 25 percent of a household’s income in car-dependent neighborhoods, compared to just nine percent for households in more walkable, transit-rich neighborhoods.

## Transportation Costs Push Michigan Households Over Affordability Threshold

To better understand the combined cost of housing and transportation, the Center for Neighborhood Technology, a nonprofit think tank, created the Housing Transportation Index. The index covers all census blocks in the United States and provides an estimate of the housing and transportation costs of a typical median income household and one making 80 percent of the area’s median income. The data for a typical household accounts for median income, the average household size, and the average commuters per household for the region.

Per the index, when housing affordability is considered by itself, 82 percent of neighborhoods in Michigan are considered affordable. For those households with incomes at or below 80 percent of the median area income, housing is less affordable; only 56 percent of neighborhoods are considered affordable.

The housing affordability picture changes once transportation costs are considered. In general, the rule of thumb is that housing and transportation costs should make up no more than 45 percent of household income. Under this expanded view of affordability the percentage of affordable neighborhoods in Michigan drops to only 39 percent for the typical household. Affordable neighborhoods are even more scarce for the typical moderate-income household, with only 15 percent of neighborhoods meeting the definition.

### Transit Oriented Housing Development is Key to Reducing Transportation Cost

The combined costs of housing and transportation reflect aspects of the built environment in a given location. Population density and land use patterns affect both housing and transportation availability and options. The primacy of Michigan's automotive legacy and its influences on the built environment cannot be ignored in the conversation about housing and transportation.

Most Michigan communities are planned and zoned for car dependency. Car ownership is expensive, but better transportation options are hard to come by in Michigan. When communities design streets for cars and plan for low density residential neighborhoods separate from healthcare, jobs, and grocery stores, public transit and other forms of transportation are less feasible and appealing. A first step to change development patterns is for local governments to zone for other types of development. Where appropriate, local governments should plan and invest in transit-oriented development (TOD). TOD is a type of community development that includes a mixture of housing, retail, office, and/or other amenities integrated into walkable neighborhoods located close to quality public transportation services. Integrating land use policies with transit investments has the potential to get more people walking, cycling, and using transit for trips throughout the day than any transportation strategy. State policymakers, when possible, might prioritize and/or incentivize TOD elements as they consider new or existing housing policies.

Investments in housing near transit is essential, but Michigan will need to rethink its approach to regional transit if it wishes to foster TOD and meaningfully reduce transportation expenses. Public transit is often viewed as a social service and its role in economic development and urban revitalization is often overlooked. The state authorizing acts that most of the urban transportation providers are organized under are voluntary and do not require any region (or any local units within a region) to join together to provide public transportation (exception being the Regional Transit Authority of Southeast Michigan). This permissive approach to the creation, development and operation of regional transit options has both pluses and minuses. Allowing local units to decide to come together to join public transportation authorities promotes local control; however, it can limit the effectiveness of public transportation authorities if local units within a region opt out of public transit taxes and services.

### Conclusion

Housing and transportation costs are the two largest household expenditures. While much of the attention on housing affordability has focused on housing costs, less attention has been given to transportation costs which are directly influenced by housing location. If the state is serious about housing affordability, it must change its approach to regional transit and recognize the role of transit in regional economic development and prosperity. Given that transportation costs can be equal to or greater than housing costs for many low- and moderate-income households in the state, an affordable housing strategy that fails to consider location and access to transit is inadequate.

## ABOUT THE AUTHOR

### Chelsea Dowler - Research Associate, Local Government Affairs



Chelsea Dowler joined the Research Council in 2023 as a Research Associate focusing on local affairs. Previously, Chelsea was a nonpartisan Research Analyst at the Michigan Legislative Service Bureau where she specialized in the policy areas of alcohol, cannabis, housing, public utilities, and transportation. Chelsea received her bachelor's degree in economics and master's of public policy from Michigan State University.

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#### **Southeast Michigan**

38777 Six Mile Rd. Suite 208, Livonia, MI 48152  
(734) 542-8001

#### **Mid Michigan**

115 W Allegan St. Suite 480, Lansing, MI 48933  
(517) 485-9444  
Detroit (313) 572-1840  
West Michigan (616) 294-8359

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