



**Examining the Costs and Impacts  
of Housing and Transportation  
on Bay Area Residents, Their  
Neighborhoods, and the Environment**



# Bay Area Burden



**Urban Land  
Institute**

**Terwilliger Center for Workforce Housing**

**TABLE 1 ] The Bay Area Consistently Tops the Charts in Housing Costs**

Rank	Median Home Value	
1	San Jose—San Francisco—Oakland, CA	\$694,700
2	Salinas, CA	\$658,700
3	Santa Barbara—Santa Maria—Goleta, CA	\$641,800
4	San Luis Obispo—Paso Robles, CA	\$578,900
5	Honolulu, HI	\$574,400

Rank	Median Monthly Costs for Homes with a Mortgage	
1	San Jose—San Francisco—Oakland, CA	\$2,803
2	Santa Barbara—Santa Maria—Goleta, CA	\$2,471
3	Salinas, CA	\$2,438
4	New York—Newark—Bridgeport, NY—NJ—CT—PA	\$2,432
5	San Diego—Carlsbad—San Marcos, CA	\$2,412

Rank	Median Gross Rent	
1	San Jose—San Francisco—Oakland, CA	\$1,221
2	Honolulu, HI	\$1,206
3	Santa Barbara—Santa Maria—Goleta, CA	\$1,205
4	San Diego—Carlsbad—San Marcos, CA	\$1,168
5	Los Angeles—Long Beach—Riverside, CA	\$1,099

Source: 2007 American Community Survey.





Monday, October 4, 2010

# Housing Plus Transportation Costs in 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.*

## Average Annual Housing Costs

**\$28,045**

**% of Income**

**39%**

## Average Annual Transportation Costs

**\$13,375**

**% of Income**

**20%**

## Average Annual Housing + Transportation Costs

**\$41,420**

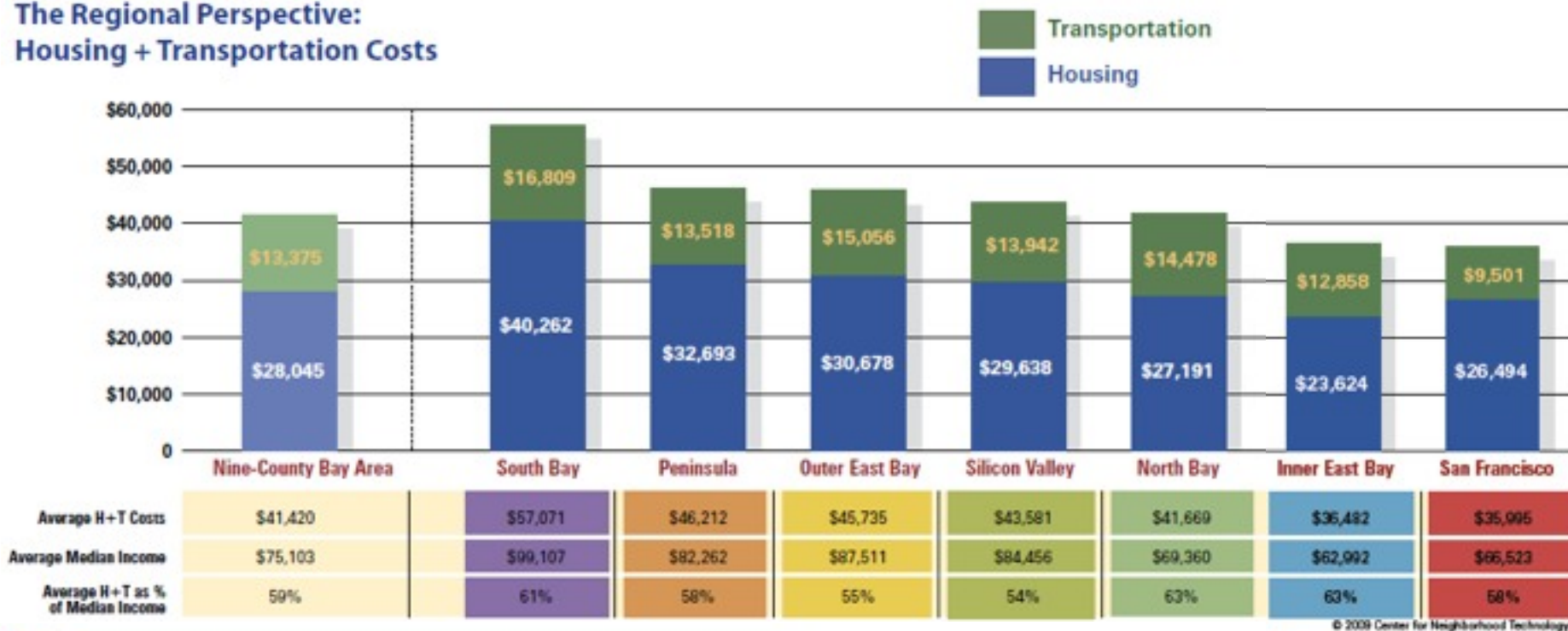
**% of Income**

**59%**

	Housing	Transportation	Combined
Boston	\$22,373	\$11,927	\$34,300
Boston (%)	35%	19%	54%
D.C.	\$22,960	\$13,234	\$36,194
D.C. (%)	29%	18%	47%

# Across the Region: Housing + Transportation Costs

The Regional Perspective:  
Housing + Transportation Costs

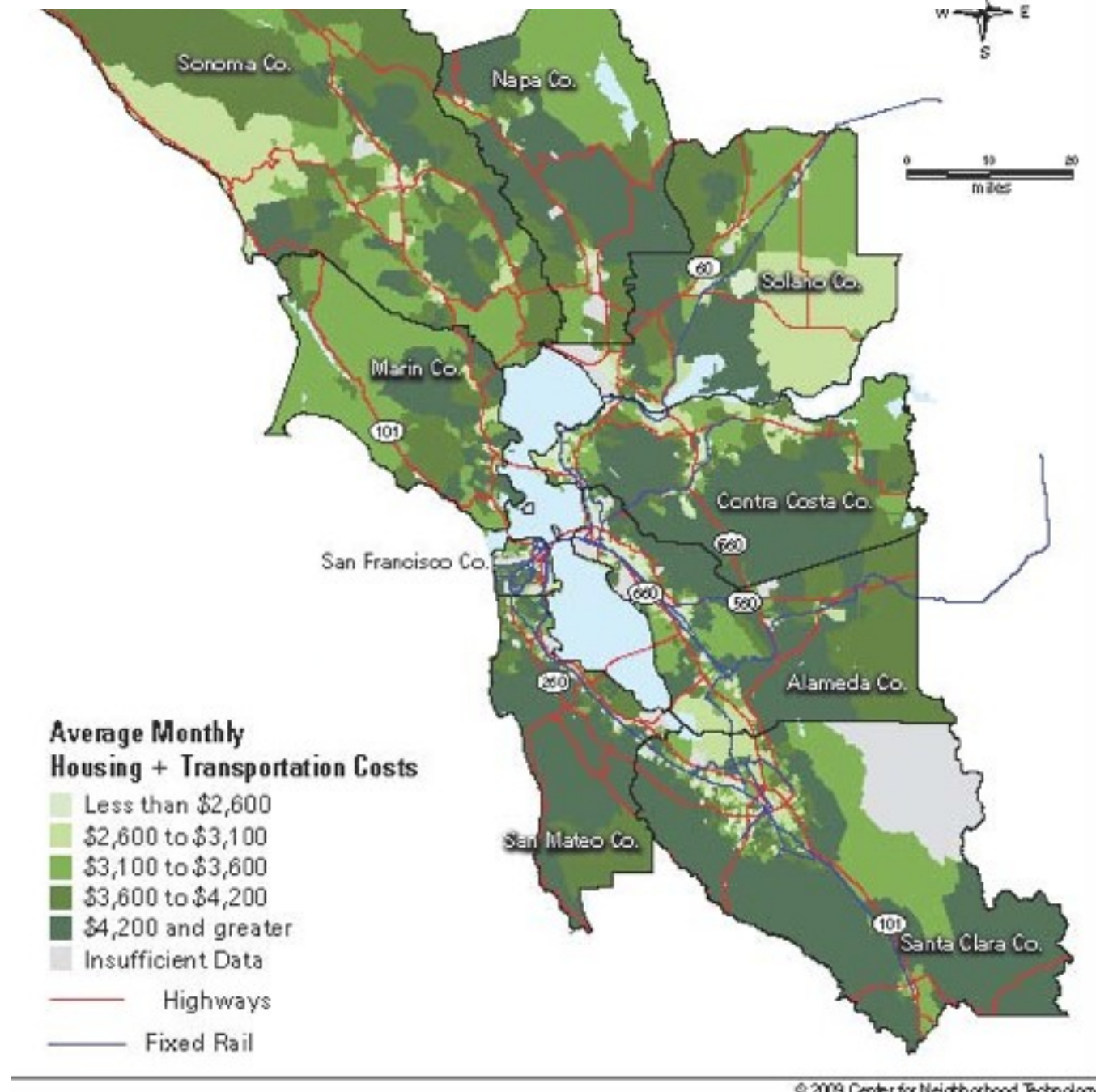


**Combined Costs as a Percent of  
Income Exceed 65 Percent in Many  
Neighborhoods throughout the Bay Area.**

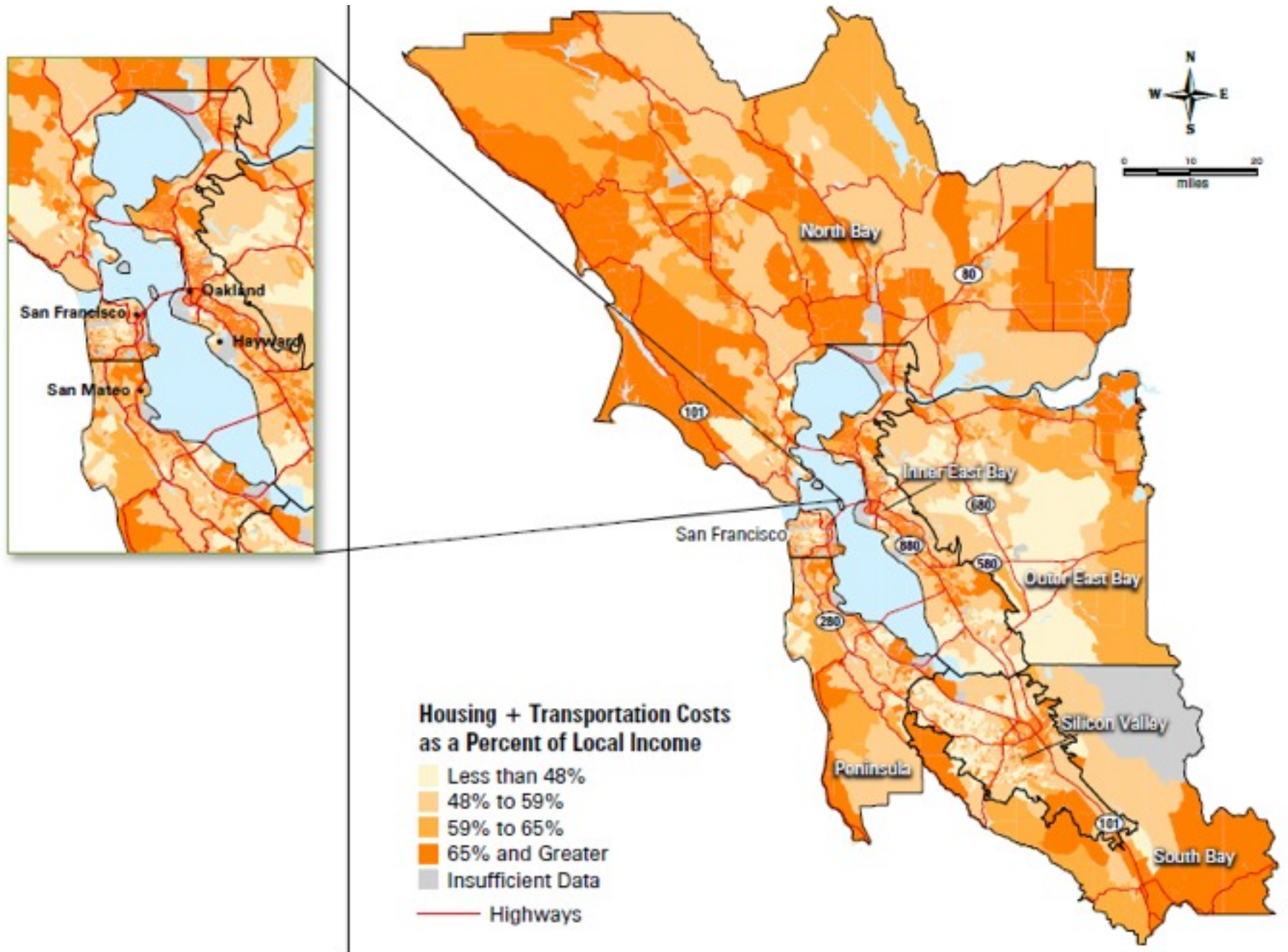




# Average Housing + Transportation Costs



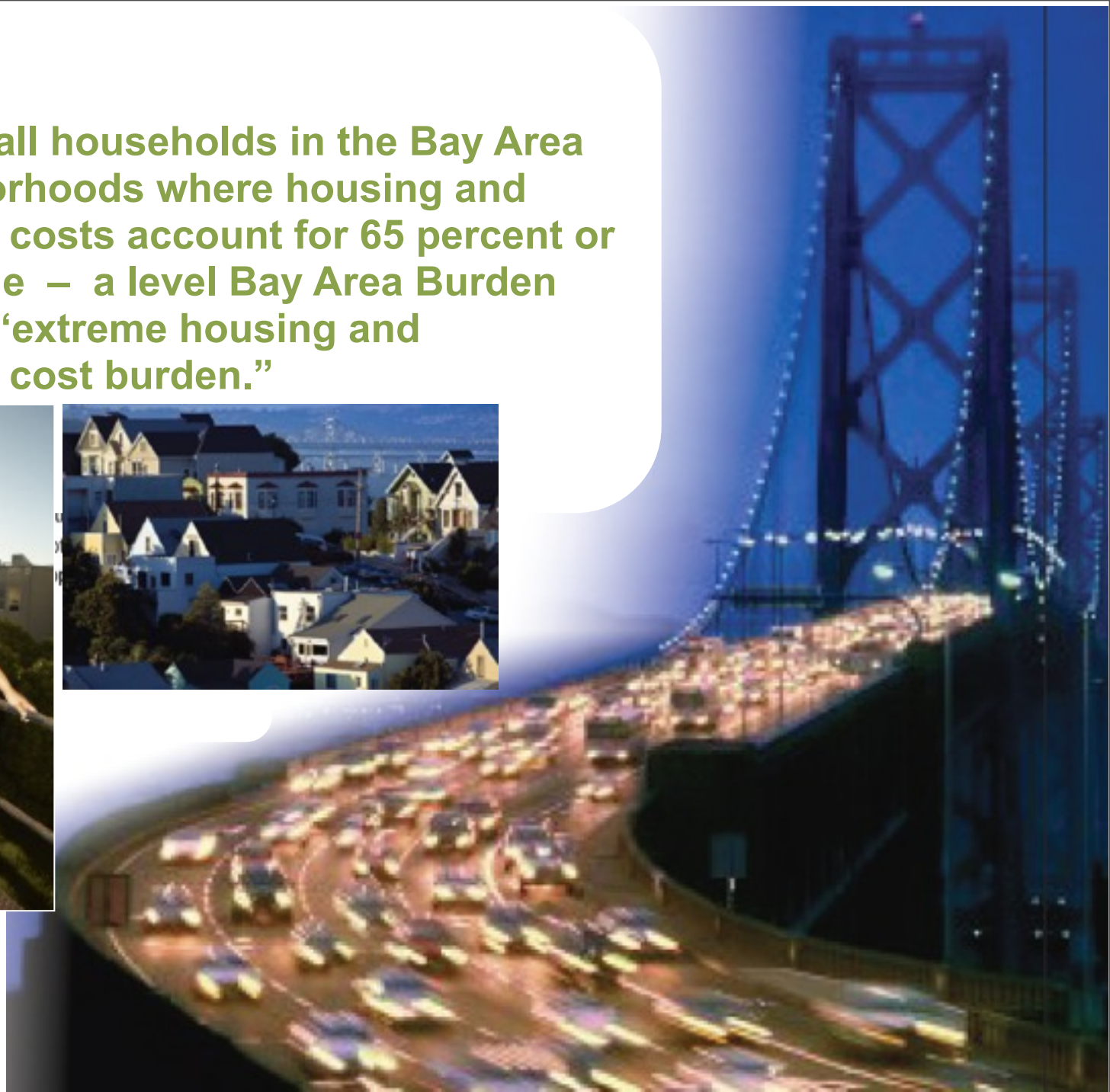
# Housing + Transportation Costs as % Local Income



© 2009 Center for Neighborhood Technology



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 Bay Area Burden defines as an “extreme housing and transportation cost burden.”





# A Bay Area Working Family's Budget

- Physical therapist
- 1 toddler and 1 elementary school
- Salary: \$85,125 annually—117 percent of the Bay Area median income.
- Monthly income after taxes = \$5,405.
- Average housing + transportation costs in Santa Clara County = 52 % gross income
- Leaves \$1,707 per month to cover other household expenses:



Spending 52% of the housing and transportation costs in Santa Clara household is \$1,176 covering even their basic needs like food and health

	\$ 5,405
Housing	-
\$2,522	
Transportation	-
\$1,176	
-----	
-----	
What's Left	
\$1,707	

This family of three in Santa Clara County can expect to incur the following basic expenditures:

Child-care	
-\$1,388	
Food	-\$669
Health care	-\$276
Miscellaneous	-\$389
-----	
-----	

**At Month's End**  
**-\$1,015**

# Cost of Living Calculator

The Cost Calculator aids individuals, households, planners, government Officials and municipalities to understand the true costs of housing + transportation by location within the Bay Area.

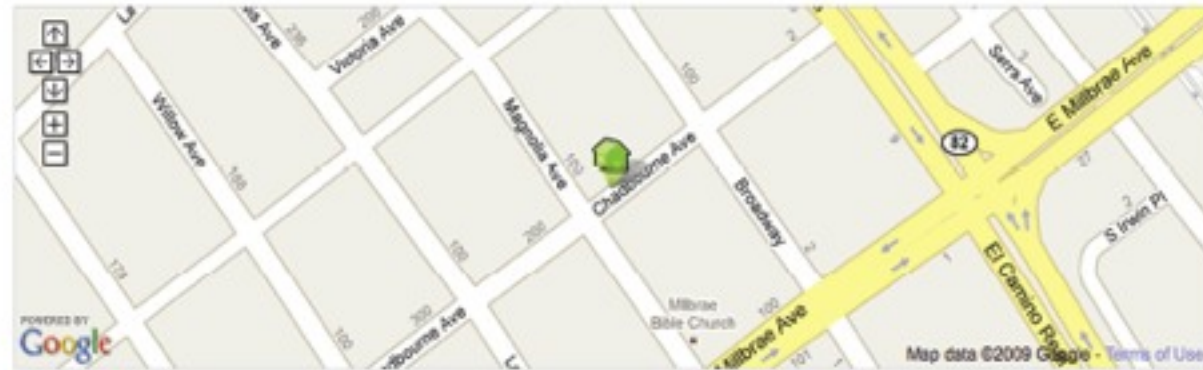
[www.BayAreaBurden.org](http://www.BayAreaBurden.org)

## Housing + Transportation Calculator

Urban Land Institute  
San Diego Center for Workforce Housing

CENTER FOR HOUSING POLICY  
CNT

[Introduction](#) | [Calculator](#) | [Help](#)



[Add a new location](#)

### Comparing Your Locations

[Show Comparison Columns](#)

**112 Magnolia Ave, Millbrae, CA 94030, USA**

**Your Household**

[Default Profile](#) [Copy](#) [Delete](#)

[SHOW LESS](#) ▲

Household Size  
Annual Household Income  
Tenure  
Number of Workers

2  
\$46,150  
Not Specified  
1

Commute to Workplace:  
Number of Cars  
Total Annual Miles Driven  
Gas Price  
Miles per Gallon  
Monthly Parking and Tolls  
Transit Cost per Month  
Transit Trips per Day

22 Min.  
2  
11,720  
\$2.41/gal  
25 mpg  
\$0  
\$25  
2

**Annual Transportation Costs:**

**\$10,251**

**Annual Housing Costs:** (For Mix of Owners and Renters)

**\$17,760**

**Annual Housing and Transportation Costs:**

(51% of Inc.) **\$28,011**

Transit Connectivity:  
Residential Household Density:  
Job Accessibility:  
Average Block Size:

High  
High  
Low  
Very Small



# The Development Business

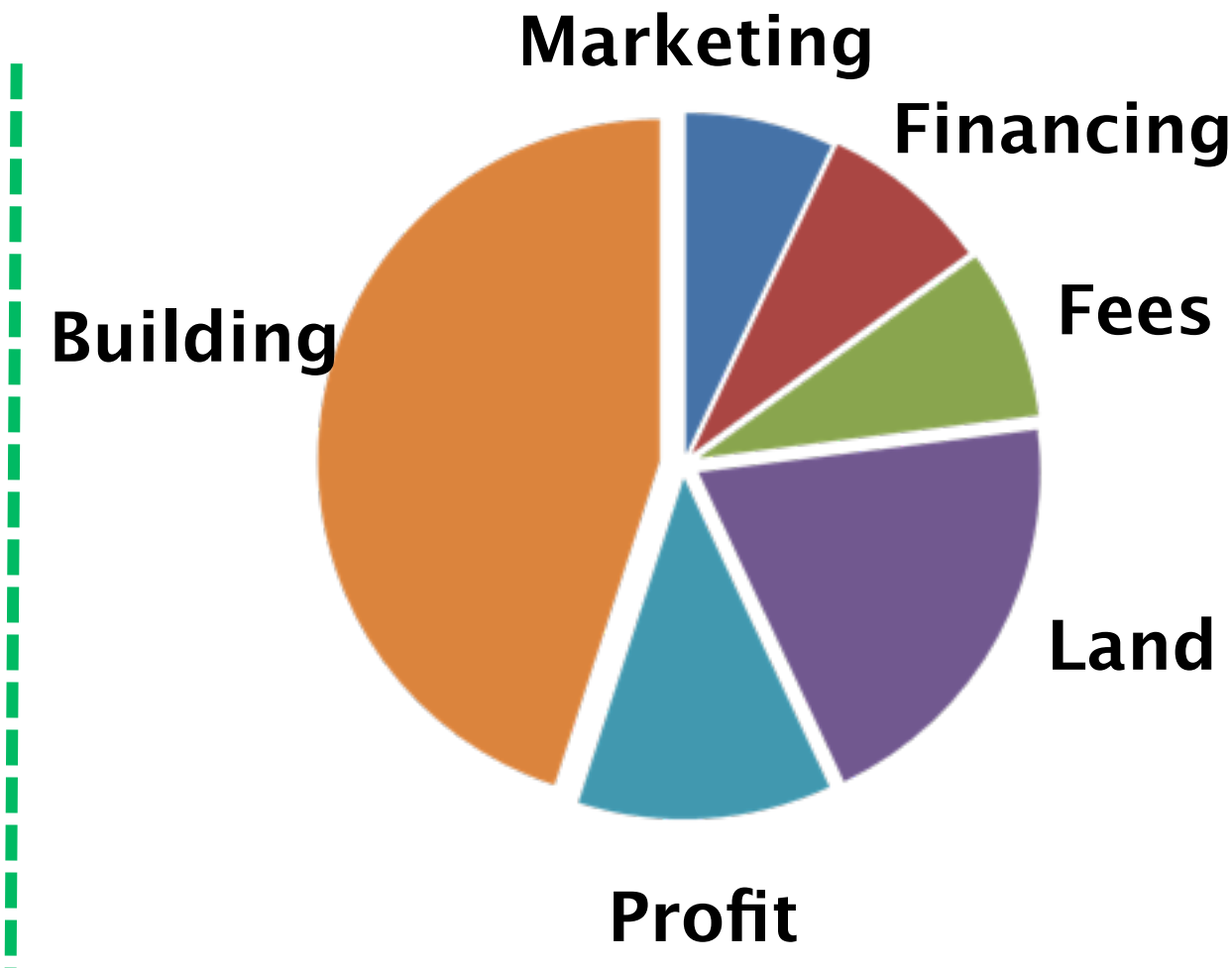
$$HOME\ PRICE - COSTS = PROFIT$$

**\$500,000**



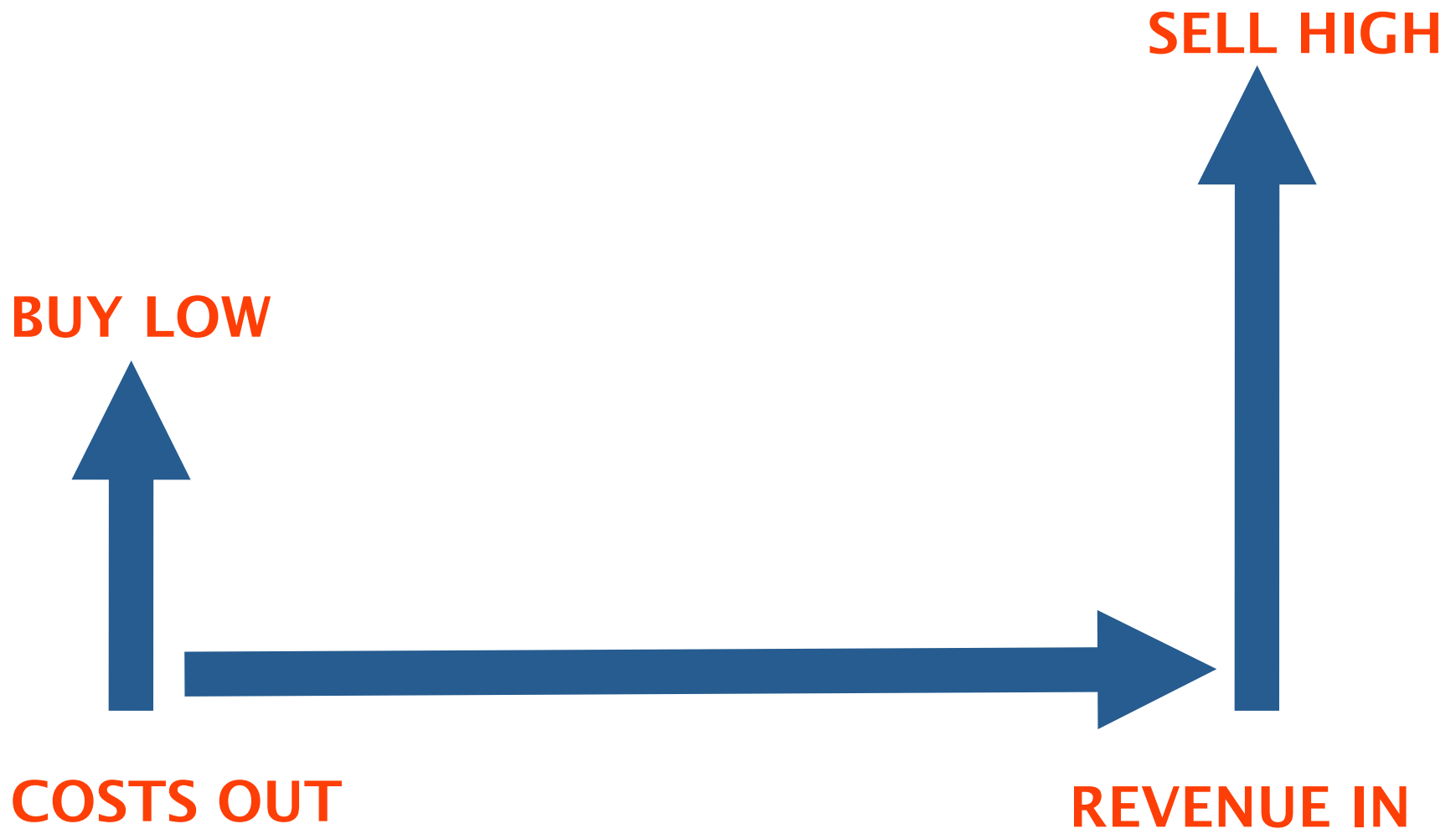
**\$200,000**

**Home  
Value**



# The Development Business

*PROFIT RELATIVE TO TIME = IRR*





# The Development Business

*PROFIT RELATIVE TO TIME = IRR*

## Developer: Generate Profit

- Increase Revenue
- Decrease Costs
- Reduce Risk
- Reduce Time

**SELL HIGH**

**BUY LOW**

## Investor: Where To Invest

- Location
- Product
- Team

**COSTS OUT**

**REVENUE IN**



# Economic Incentives

*Real Estate Development requires Real Estate Investment*

## *The Density Problem*



### **Vertical**

- 200 units
  - \$500,000 per unit
  - \$100M Total Project
- 

**All In  
\$100M Ante  
Rules Will Change  
You Can't Walk**

---

**High Cost  
High Risk  
Low Returns  
Run Away**

### **Horizontal**

- 200 units
  - \$500,000 per unit
  - \$100M Total Project
- 

**5 Min Bet  
\$2.5M Ante  
Rules Are Known  
You Can Walk**

---

**Low Cost  
Low Risk  
High Returns  
Safe Bet**



# Economic Incentives

*Real Estate Development requires Real Estate Investment*

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Safe Bet

# WHAT WILL GET BUILT? WHERE TO INVEST

**NO**

**Yes**  
**With Subsidy**

**Yes**  
**Over \$300K**

**Yes**  
**Over \$200K with**  
**Very Low Margin**





# WHERE SHOULD WE BUILD “AFFORDABLE” HOMES?

Cost to Build

**\$500K per Unit**  
**800 Sq Ft**

**\$400K per Unit**  
**1000 Sq Ft**

**\$300K per unit**  
**1500 Sq Ft**

**\$200K per unit**  
**2000 Sq Ft**



Monday, October 4, 2010

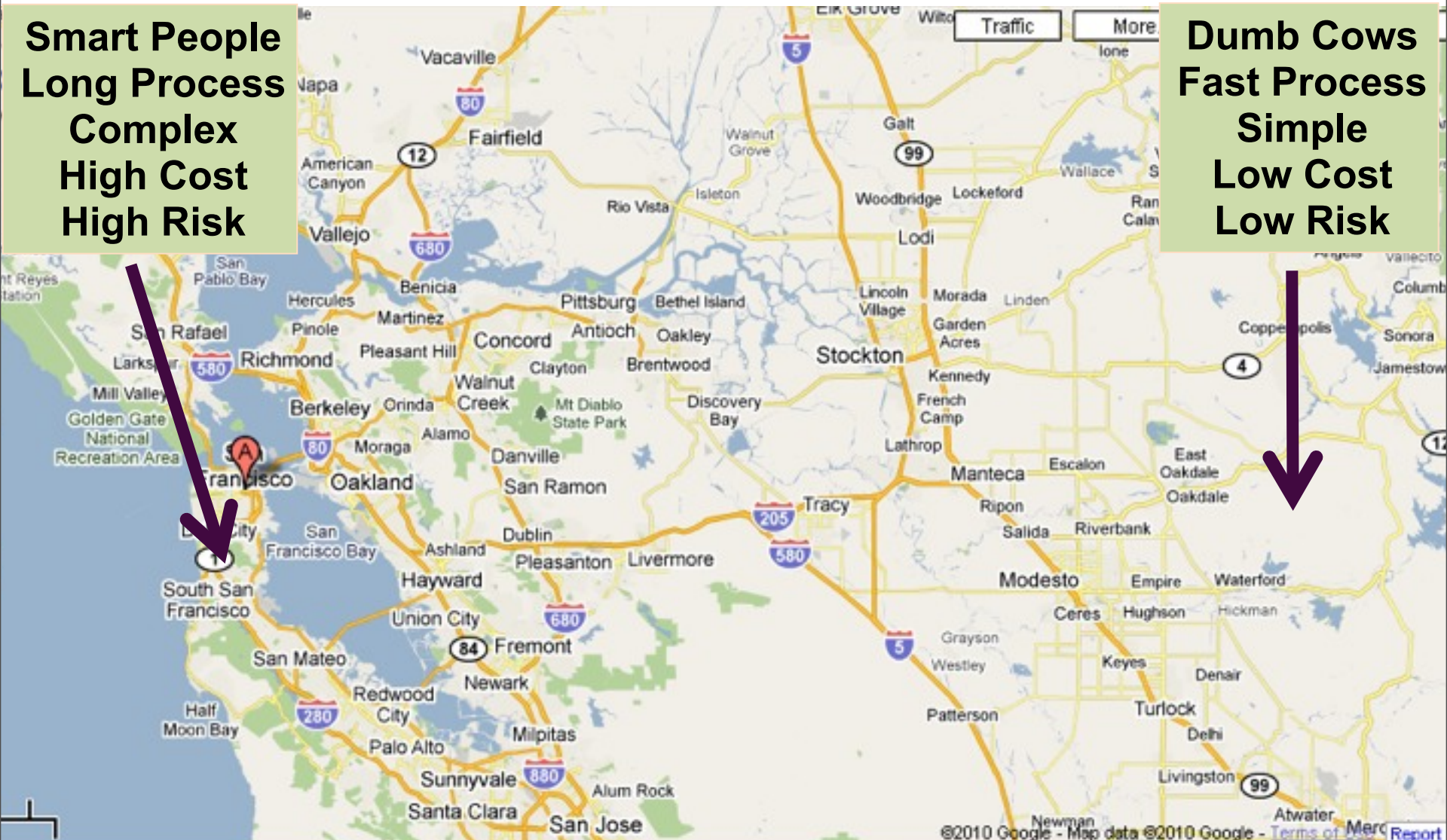


# REGIONAL PLANNING

How can policy influence the economics and ease of development in infill/transit locations?

**Smart People  
Long Process  
Complex  
High Cost  
High Risk**

**Dumb Cows  
Fast Process  
Simple  
Low Cost  
Low Risk**



# REGIONAL PLANNING

Change the Economics & Incentives

## Subsidies

Prop 1C

RDA's

Tax Credits

FHA

Decrease Costs

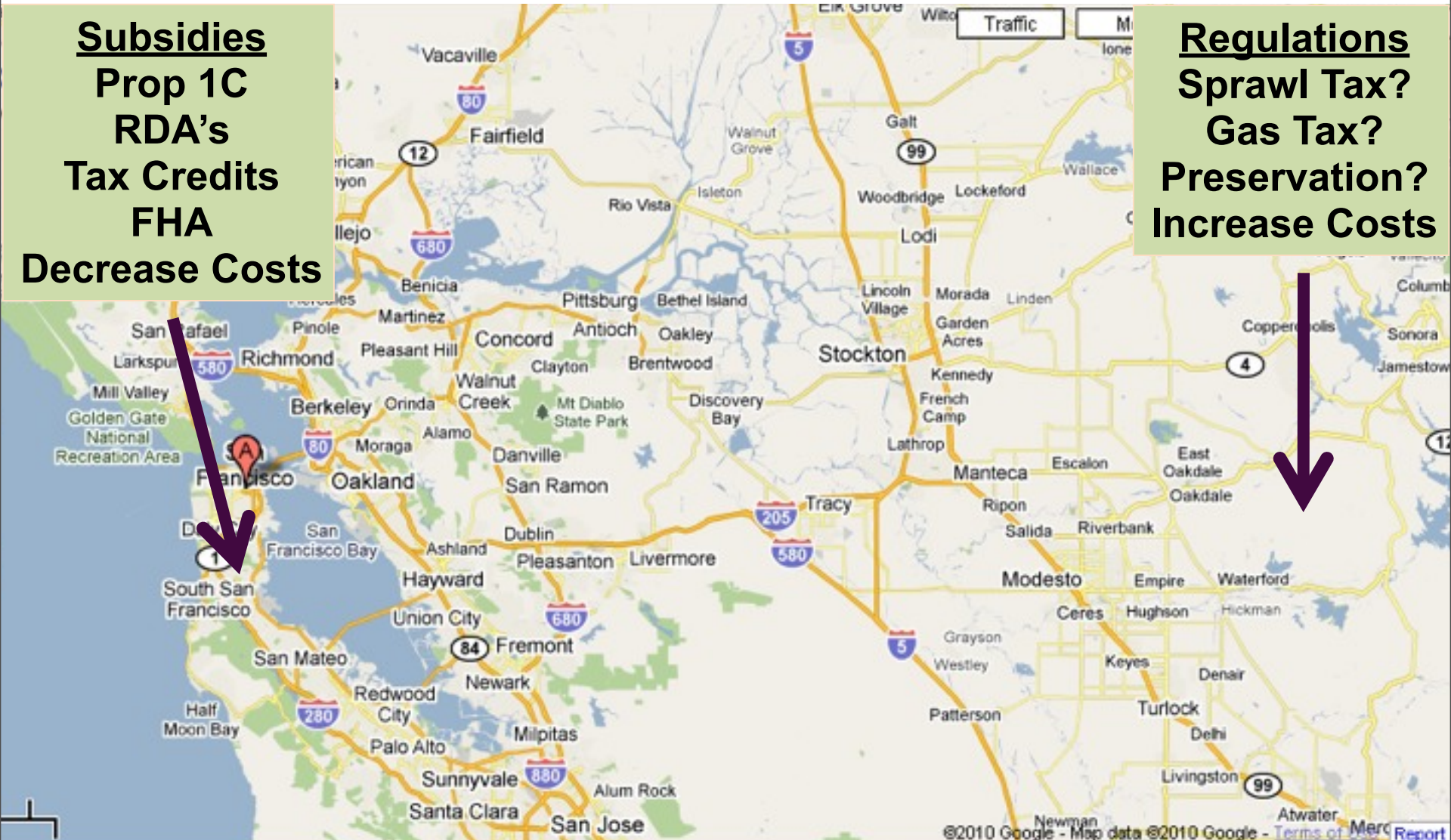
## Regulations

Sprawl Tax?

Gas Tax?

Preservation?

Increase Costs



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# LOCAL PLANNING

Change the Economics & Incentives

## Subsidies

Prop 1C

RDA's

Tax Credits

FHA

Decrease Costs

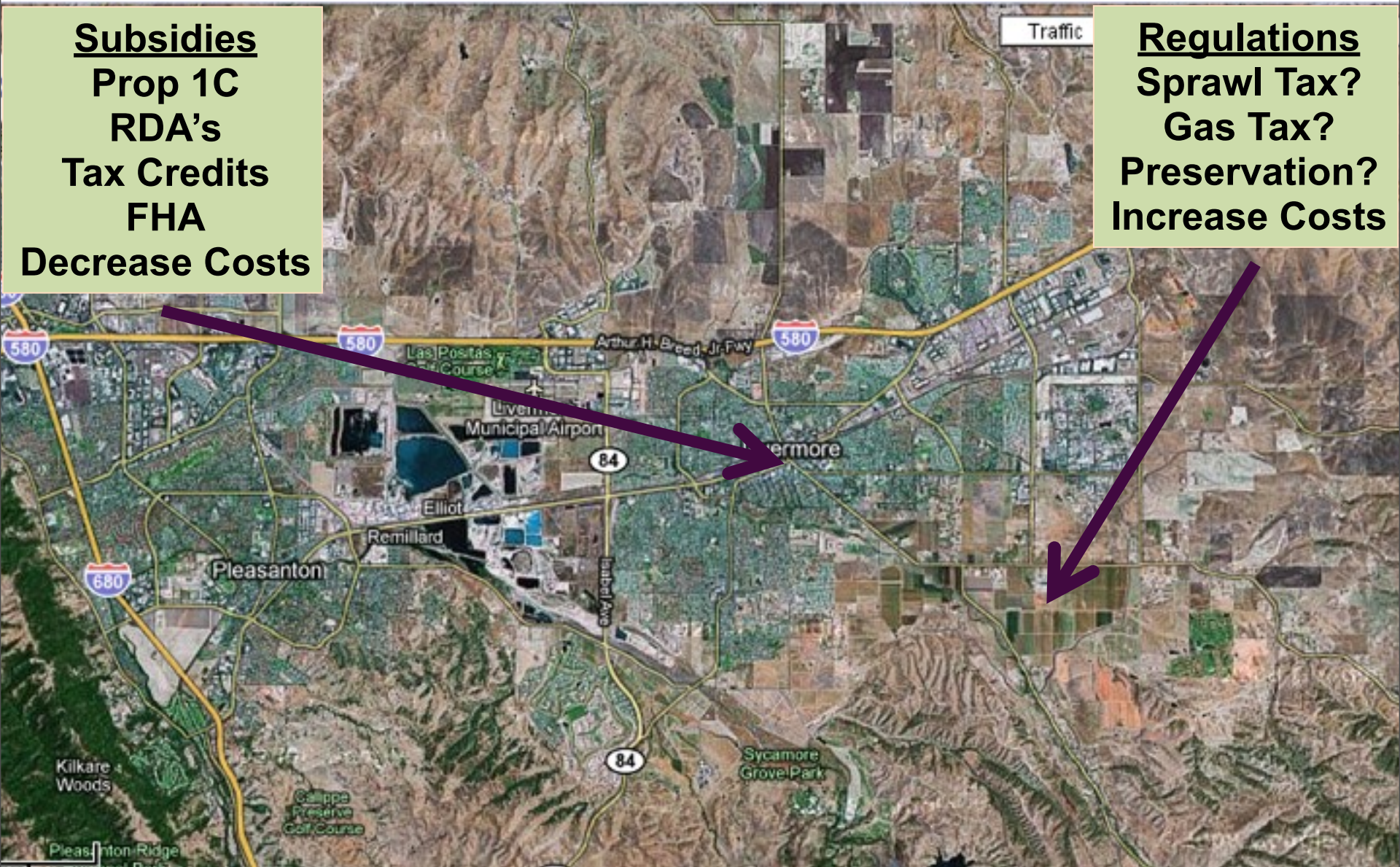
## Regulations

Sprawl Tax?

Gas Tax?

Preservation?

Increase Costs





# Build Great Building vs. Build Monuments

## *Reputation not Ego*



**Arterra**



**The Hayes**



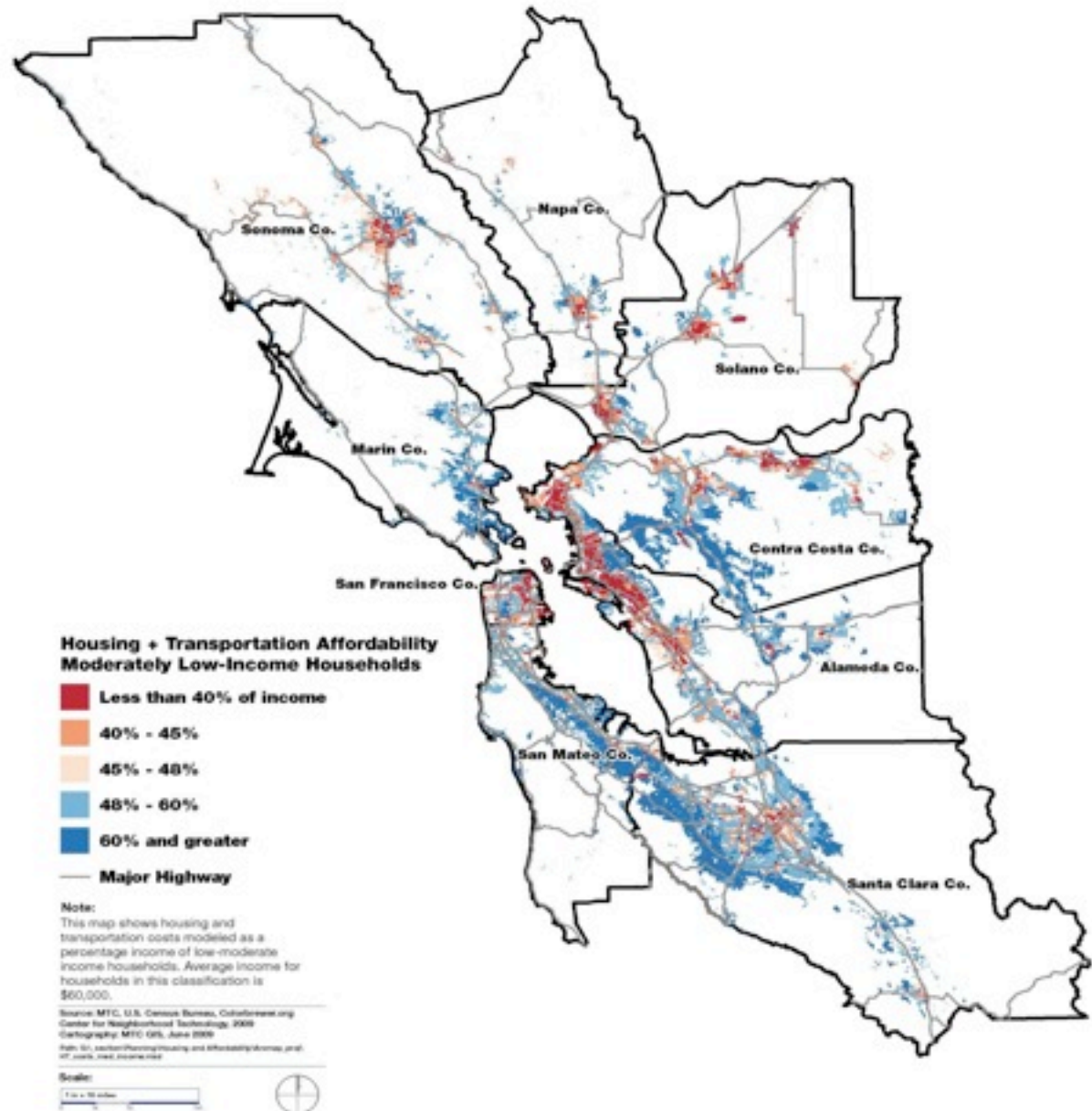
**Ambassador College**



**San Mateo Times**

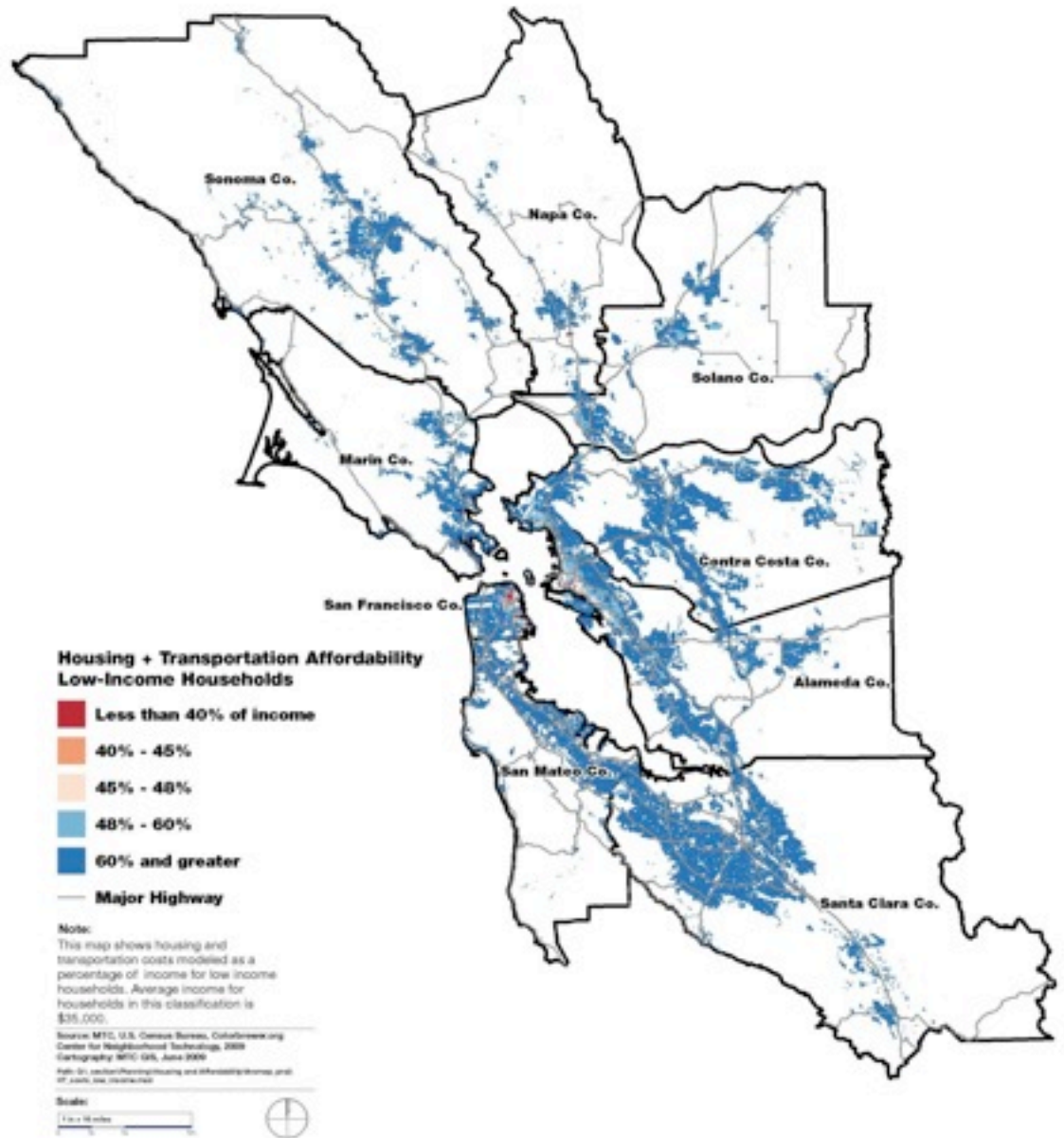
# H + T: Moderately Low Income

Housing +  
Transportation  
Costs as  
% of Income for  
**Moderately**  
**Low-Income**  
Households  
(\$35-60K)



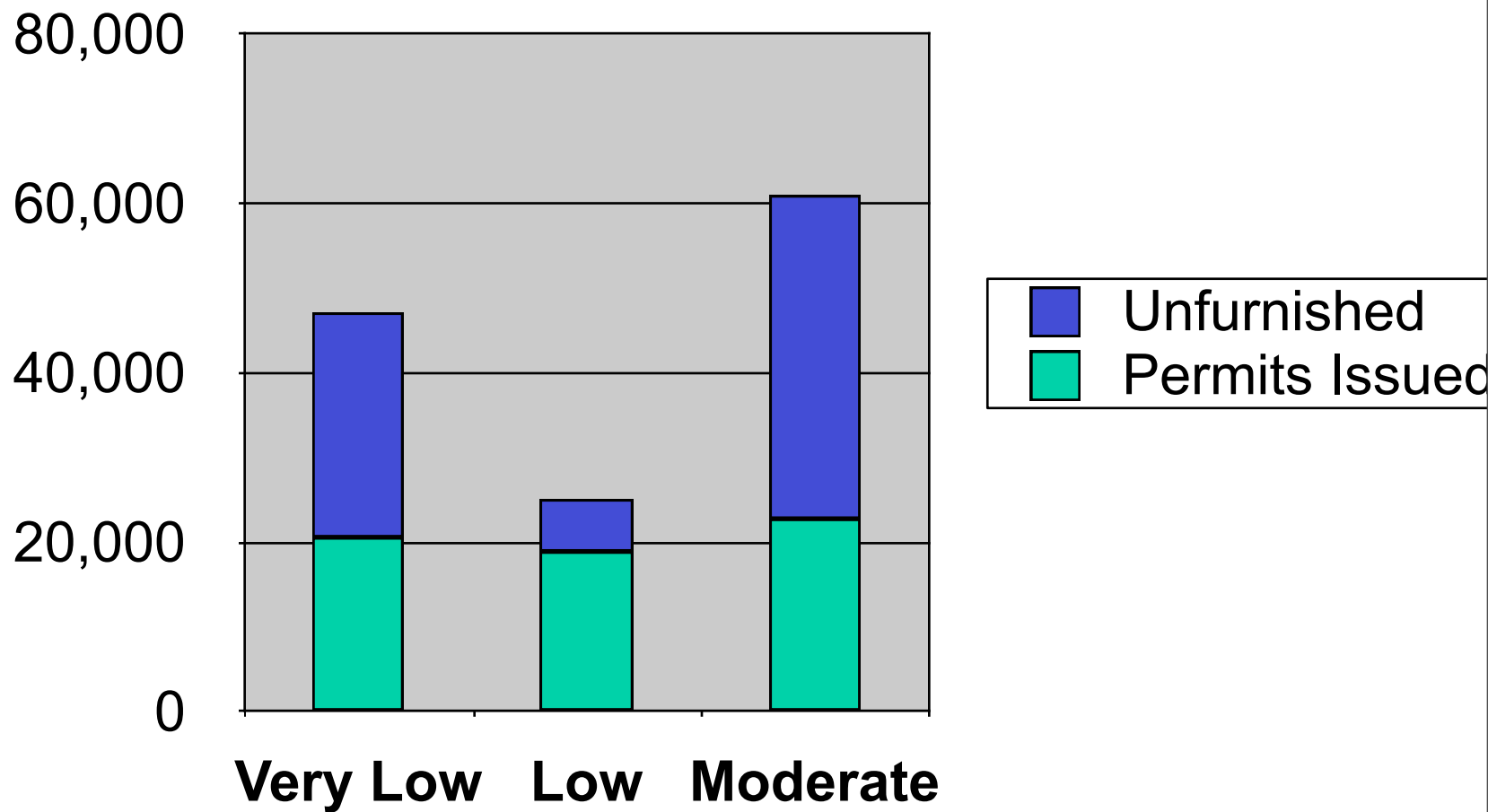
# Low Income H + T Options Few

**H+T Costs**  
as % of  
Income for  
**Low-Income**  
Households  
(**< \$35K**)

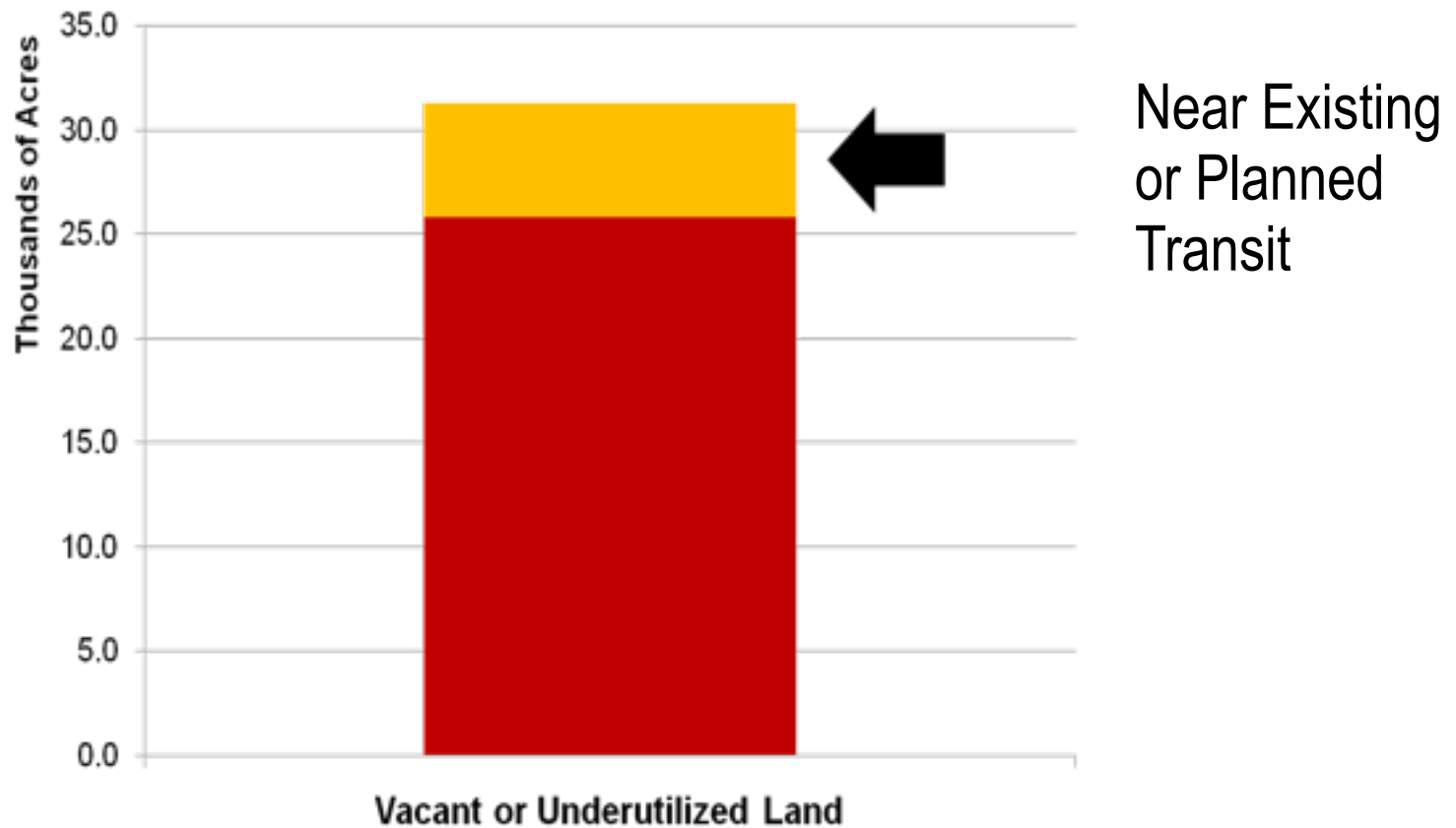




# Affordable Units Produced Regional Housing Needs: 1999-2006



# Bay Area TOD Opportunities: *Few Sites Near Transit*



# Bay Area Affordable TOD Fund

## *Challenge & Opportunity*

- CHALLENGE

- Affordable housing developers do not have sufficient access to capital to acquire or preserve property for affordable housing

- OPPORTUNITY

- Great Communities Collaborative, including San Francisco, East Bay, and Silicon Valley Community Foundations, propose Bay Area Affordable TOD Fund with MTC for \$40 million




# OneBayArea

## **SB375 – Sustainable Communities**

### **Strategy**

- House all of the region's population across all incomes
- New Housing Element law related to RHNA
- Regional, State and Federal resources to construct affordable housing – are they up to it?



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