



IMAGINE CENTRAL ARKANSAS

Plan Smart. Live Smart.

STATE OF THE REGION:
HOUSING + TRANSPORTATION COSTS
WORKING PAPER #4

October 2012



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STATE OF THE REGION: HOUSING + TRANSPORTATION COSTS

This is the fourth in the series of white papers that will serve as background information for Imagine Central Arkansas. This paper examines the dynamic between housing and transportation costs, two of the largest household expenditures in central Arkansas.

Traditionally, the cost of housing has been the primary budgetary consideration when choosing a location to live. However, recent research by the Center for Neighborhood Technology (CNT) suggests that household costs for transportation can vary according to location. It makes sense, then, to consider both housing and transportation costs as true measures of affordability. The following data is based on CNT's Housing + Transportation (H+T) Index, the preeminent tool for measuring cost and affordability.

HOUSING IS CONSIDERED "AFFORDABLE" WHEN
THE COST REPRESENTS 30% OR LESS
OF THE HOUSEHOLD INCOME.

Highlights

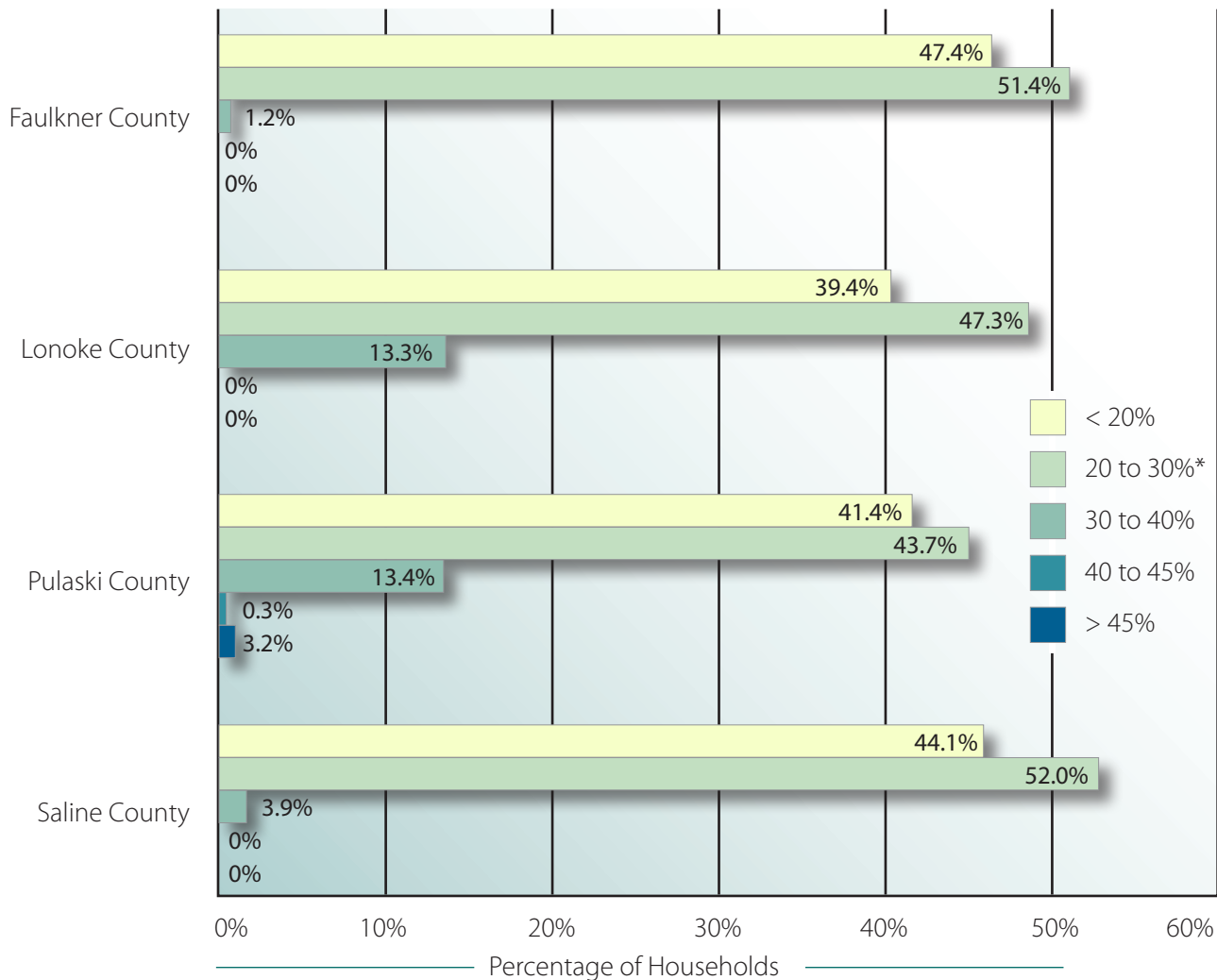
- Most places in central Arkansas have affordable housing .
- Housing costs in central Arkansas vary from a low of 20.5 percent of median income in Faulkner and Saline Counties to a high of 23.1 percent in Pulaski County.
- Most places in central Arkansas lack affordable transportation.
- Transportation costs range from a high of 34.4 percent in Lonoke County to a low of 29.5 percent in Pulaski County.
- Transportation costs are highest for households in places that are least accessible and have the fewest options (walking, biking and transit in addition to auto) available.
- Combined housing + transportation costs (the H+T Index) represents a more comprehensive way of thinking about housing and true affordability.
- 89 percent of families spend more than 45 percent of their household income on housing and transportation.
- The average family in Central Arkansas spends nine percent more of their household income on transportation than housing.
- Most places in central Arkansas are unaffordable based on the H+T Index.
- Due to the higher transportation cost, Central Arkansas is more susceptible to fuel prices and other transportation cost. As fuel prices and other transportation costs increase, the lack of affordability in central Arkansas will become exacerbated.
- If left unchecked, an increasing lack of H+T affordability within central Arkansas could negatively impact the quality of life and economic competitiveness of the region.

HOUSING COSTS IN CENTRAL ARKANSAS

Traditional measures of housing affordability suggest that housing is “affordable” when the cost represents 30 percent or less of household income. Based on this standard, most places in central Arkansas have affordable housing. Housing costs in central Arkansas vary from a low of 20.5 percent of median income in Faulkner and Saline Counties to a high of 23.1 percent in Pulaski County. The average for the Little Rock/North Little Rock/Conway Metropolitan Statistical Area (MSA) is 22.1 percent.

Generally speaking, higher than average housing costs (as a percentage of median income) are located within the segment of Pulaski County that is west of I-430. They are also higher in western Conway, the US 67/167 corridor in Sherwood and Cabot and the I-30 corridor in Benton and Bryant (Figure 1).

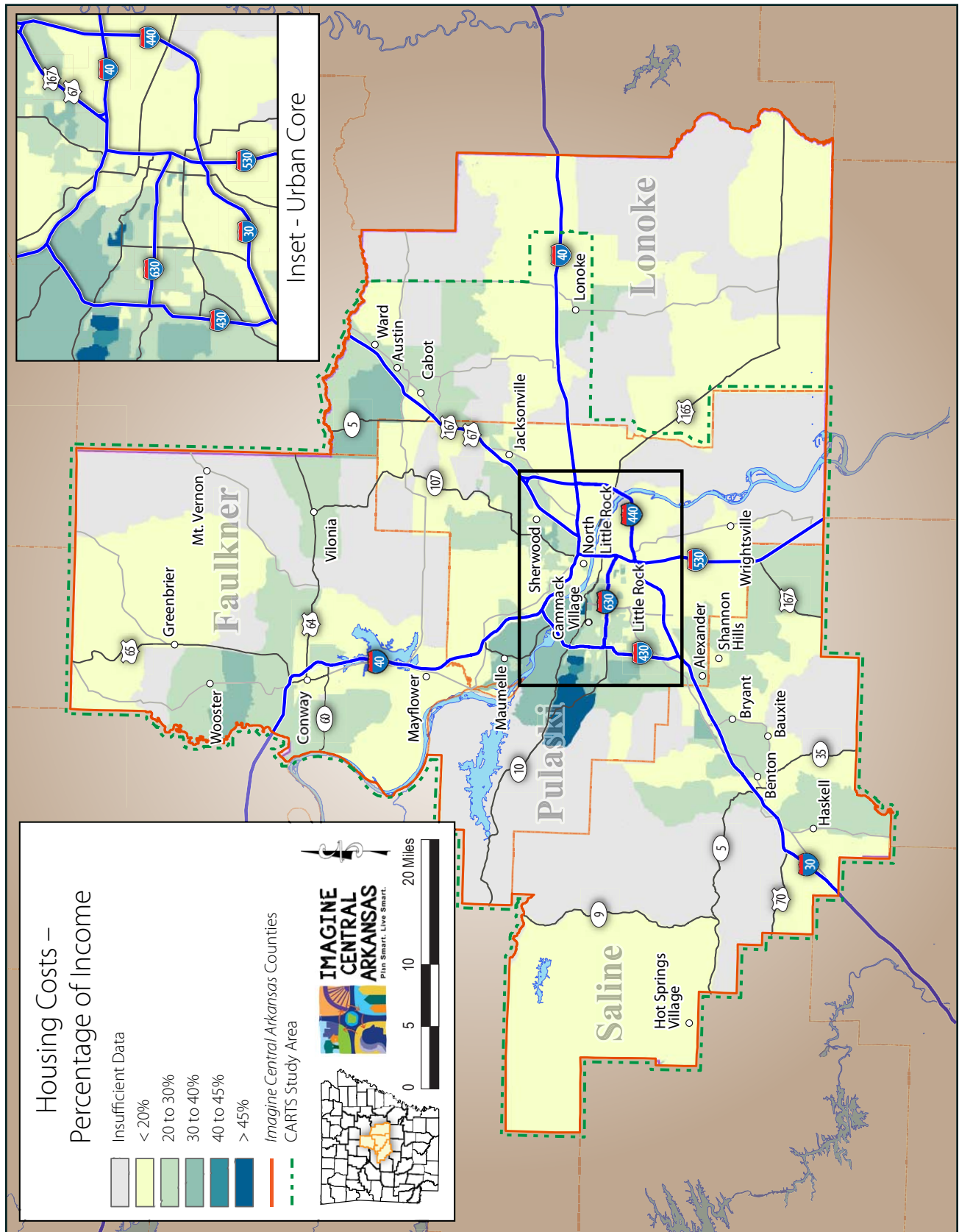
Figure 1. Housing Cost as a Percentage of Household Income in Central Arkansas



Source: Center for Neighborhood Technology

*Housing is considered “affordable” if the cost represents 30% or less of household income.

Figure 2. Housing Costs



TRANSPORTATION COSTS IN CENTRAL ARKANSAS

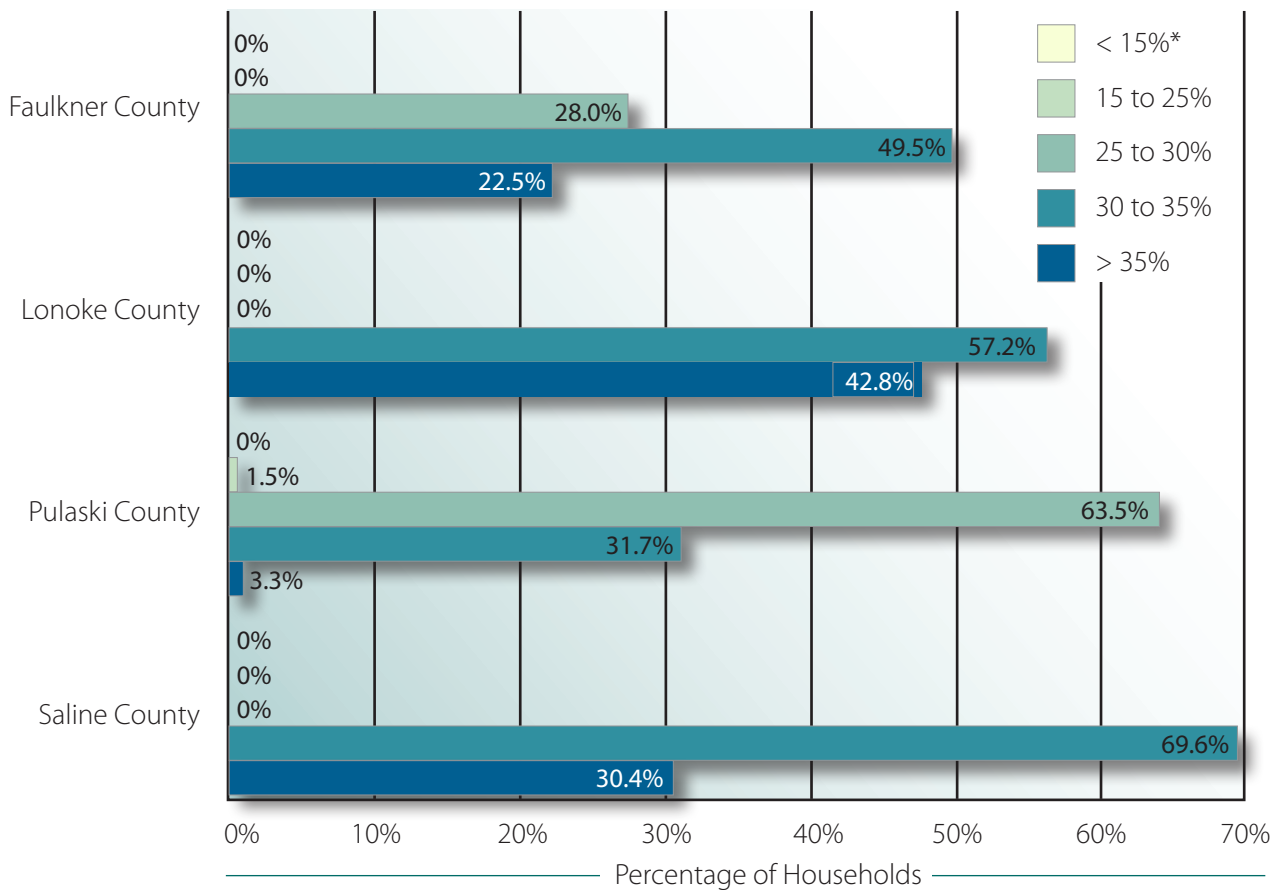
The Center for Neighborhood Technology has found that 15 percent of a household income is an attainable goal for transportation affordability. By this standard, most places in central Arkansas lack affordable transportation. CNT bases transportation costs on a number of factors including estimated costs for auto ownership, auto use and transit use. Sixty-five percent of the households in Pulaski County and 28 percent of households in Faulkner County spend less than 30 percent of their household income on transportation; in contrast, none of the households in Lonoke and Saline Counties spend less than 30 percent of their household income on transporta-

tion. The average household transportation cost for the MSA is 31.0 percent of median income, more than twice what CNT suggests is affordable.

Generally speaking, transportation costs are highest for households in places that are least accessible and have the fewest options (walking, biking and transit in addition to auto) available. The highest transportation costs are in places such as north-central Pulaski County, northern and western Faulkner County, most of Lonoke County and southern and western Saline County (Figure 4).

No places in central Arkansas meet CNT's 15 percent threshold, but the Little Rock/North Little Rock "urban core" comes the closest. This is where transit service is available, neighborhoods are more compact and walkable and homes and jobs/destinations are closer together.

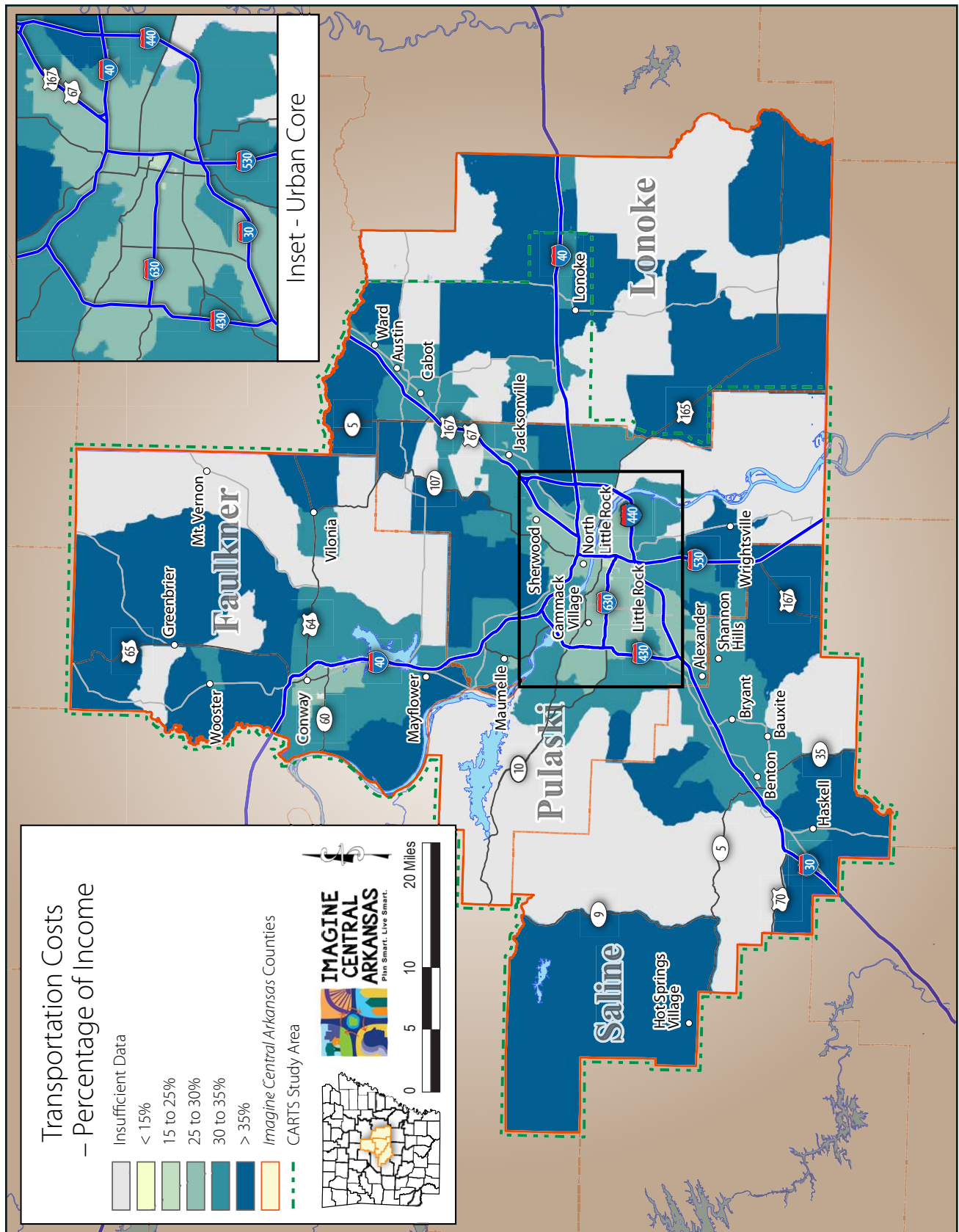
Figure 3. Transportation Cost as a Percentage of Household Income in Central Arkansas



Source: Center for Neighborhood Technology

*Transportation is considered "affordable" if the cost represents 15% or less of household income.

Figure 4. Transportation Costs



CENTRAL ARKANSAS AFFORDABILITY: HOUSING + TRANSPORTATION COSTS

When housing and transportation costs are considered in tandem, known as the housing + transportation (H+T) index, 45 percent becomes the combined standard for affordability (www.htaindex.org). CNT suggests that this is a more comprehensive way of thinking about housing and true affordability.

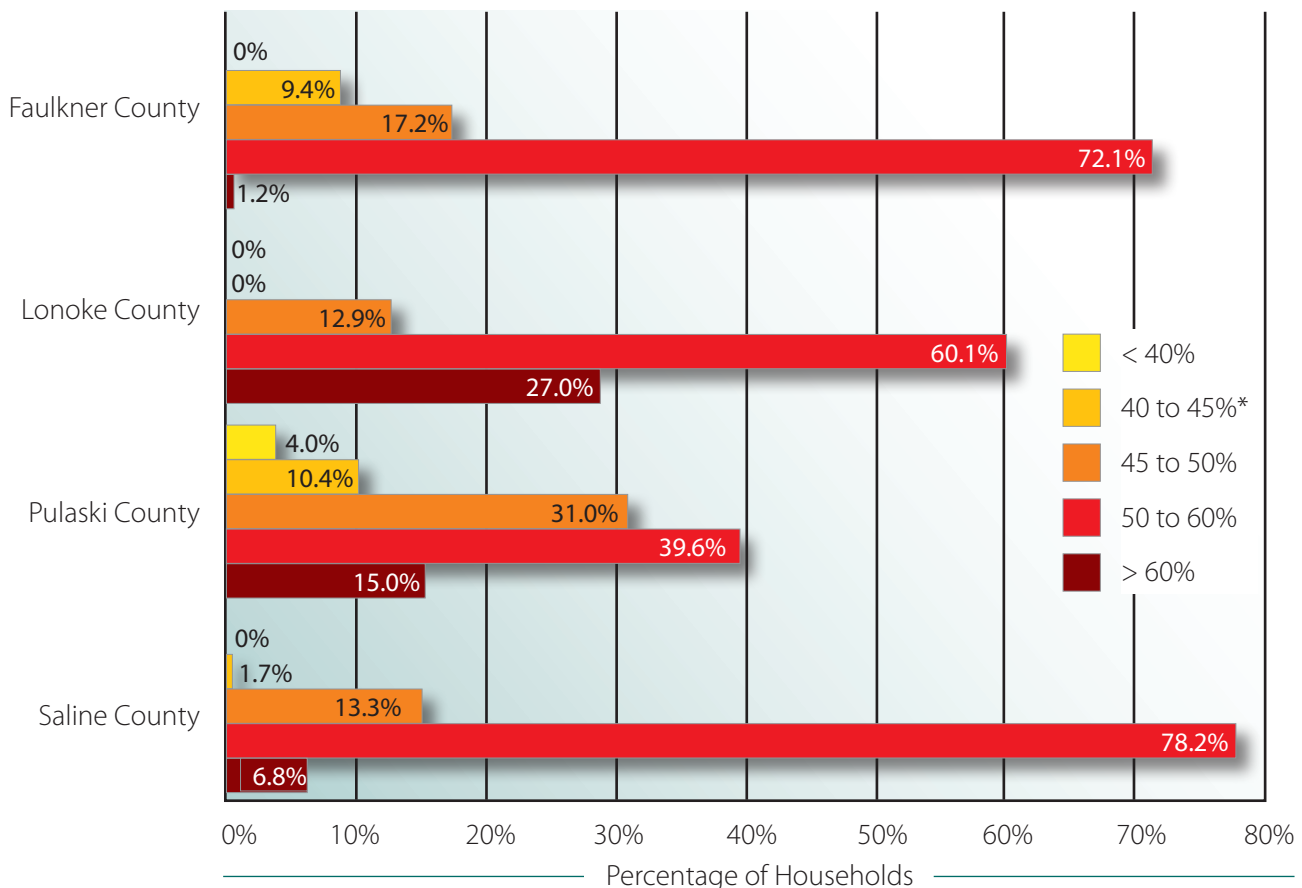
Based on the H+T Index, the picture of housing affordability in central Arkansas changes dramati-

cally. Housing + transportation costs (as a percentage of median household income) range from a county-wide average high of 54.9 percent in Lonoke County to a county-wide average low of 52.6 percent in Pulaski County, all well above the 45 percent threshold for affordability. The average for the MSA is 53.1 percent of household income.

While most places in central Arkansas are considered unaffordable using the combined H+T standard, there are a few places that remain below the 45 percent threshold. This includes most places within the Little Rock/North Little Rock urban core, Conway near I-40 and Benton near I-30 (Figure 6).

**MOST PLACES IN CENTRAL ARKANSAS ARE
UNAFFORDABLE BASED ON THE H+T INDEX.**

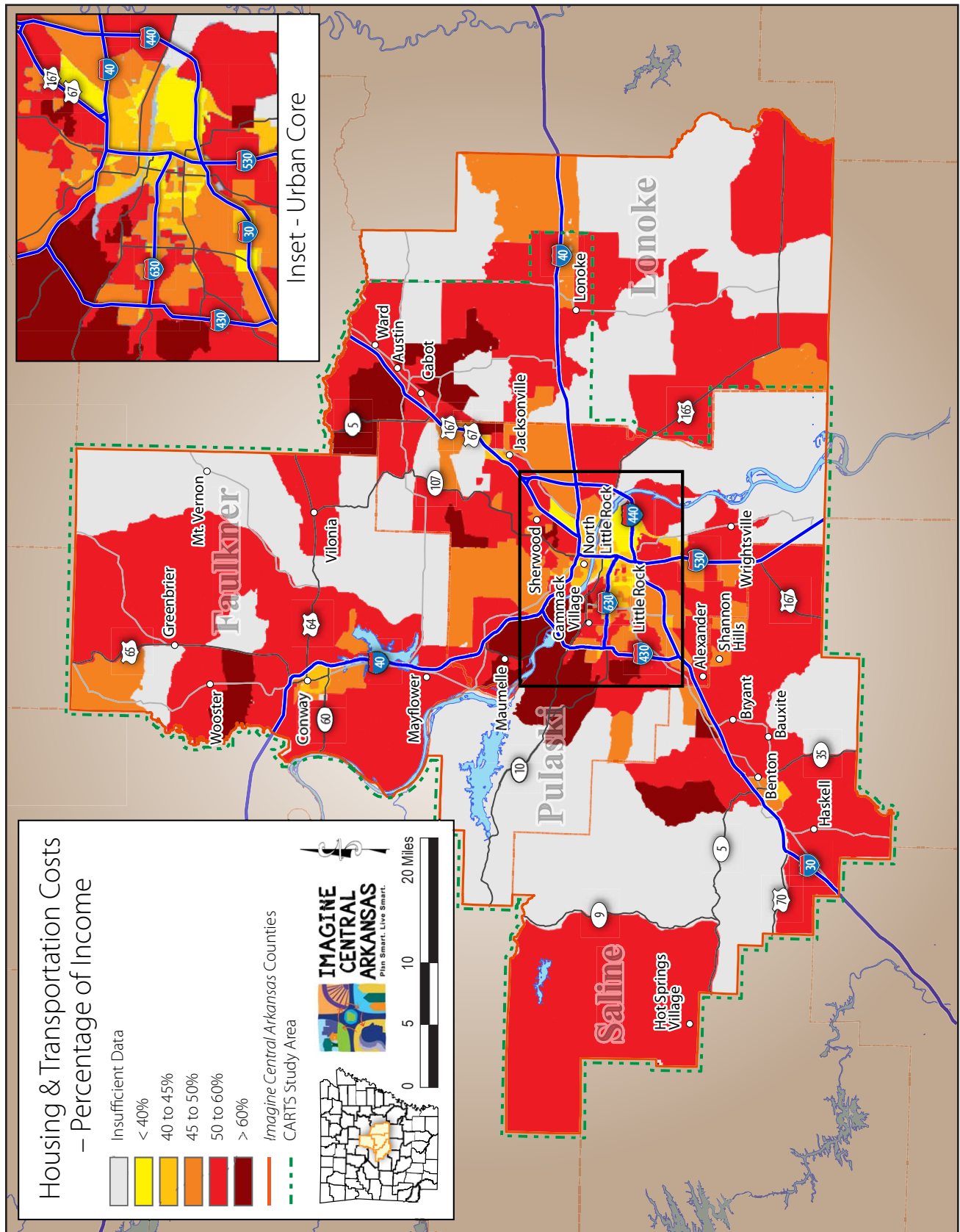
Figure 5. Housing + Transportation Cost as a Percentage of Household Income in Central Arkansas



Source: Center for Neighborhood Technology

*Housing + Transportation is considered "affordable" if the cost represents 45% or less of household income.

Figure 6. Housing + Transportation Costs



CONCLUSION

The H+T Index represents a new, comprehensive way of thinking about the cost of housing and affordability. Based purely on the average cost of housing relative to median household income, central Arkansas appears to be very affordable. Housing costs in central Arkansas vary from a low of 20.5 percent of median income in Faulkner and Saline Counties to a high of 23.1 percent in Pulaski County. Average transportation costs, as a percentage of household median income, range from a high of 34.4 percent in Lonoke County to a low of 29.5 percent in Pulaski County.

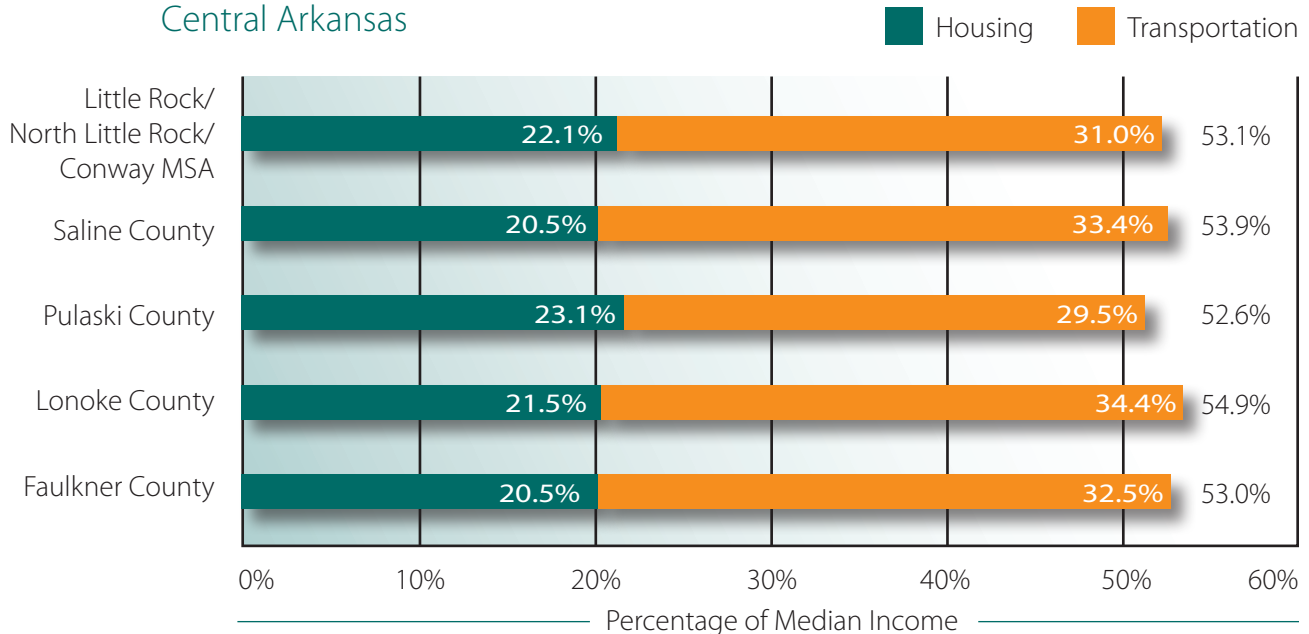
However, when housing and transportation costs are factored together, the picture changes dramatically: most places across the region will exceed the affordability threshold. This is attributed to long driving distances for employment and other daily needs and a lack of transportation options, including walking, cycling and transit. Compared to the other three counties in the region, Pulaski County residents spend the highest percentage of their median income on housing. But when housing costs

IF LEFT UNCHECKED, AN INCREASING LACK OF HOUSING AND TRANSPORTATION AFFORDABILITY WITHIN CENTRAL ARKANSAS COULD NEGATIVELY IMPACT QUALITY OF LIFE AND ECONOMIC COMPETITIVENESS OF THE REGION.

are factored together with transportation costs, Pulaski County residents spend the lowest combined percentage of their median income on these costs (52.6 percent).

As fuel prices and other transportation costs increase, the lack of affordability in central Arkansas will become exacerbated. Those places where central Arkansans already spend a disproportionate amount of their household incomes on transportation and where they lack options are the most susceptible. If left unchecked, an increasing lack of H+T affordability within central Arkansas could negatively impact the quality of life and economic competitiveness of the region.

Figure 7. Housing + Transportation Costs as a Percentage of Median Income in Central Arkansas



Source: Center for Neighborhood Technology