

# Making the Rent: The Human Price of Housing Cost Burden

March 2023



## Executive Summary

This report, *Making the Rent: The Human Price of Housing Cost Burden*, captures the impact of rising housing costs on the well-being of Sonoma County residents. The impact of cost burden begins with the percentage of a household's income paid towards housing and extends to all household choices made to accommodate rising housing costs, such as the decision to cohabitate, to cut household finances, or to move more frequently. To highlight the growing share of household income spent on housing, we pay special attention to the financial consequences for households who now pay a majority of income on rent or mortgage, also known as the severely cost-burdened.

As a supplement to housing cost data, this report portrays a dynamic picture of a household's budget—shining a light on the sacrifices, decisions, and compromises necessary just to make the rent. In this first survey of its kind of cost-burdened Sonoma County residents, we investigate the impact of cost burden on affordability, tenancy duration, overcrowding and safety of conditions, and causes of relocation, while noting disparities in these impacts across income, occupancy, and race. By allowing respondents to describe themselves and self-report conditions not typically captured in housing data, we seek to expand the conversation around what housing choices here in Sonoma County really cost us in our day-to-day lives.

The self-reported data paints a stark picture of cost burden inequity in our community. Renters and low income families feel housing cost burden more acutely than homeowners and middle-income households. Middle-income households nonetheless remain susceptible to rising cost burden. We highlight disparities that persist for younger, nonwhite, and queer and nonbinary residents. Finally, we highlight the unique impact of housing insecurity on families with young children.

We find that housing cost burden has two primary impacts on household formation and household finances. First, cost burden shapes a number of factors related

to housing security. It leads to shorter tenancy and more frequent moves. Severely cost-burdened households are more likely to live in unsafe conditions, consider cohabitation as a cost-cutting option, and are at greater risk of overcrowding and being forced to move due to rent hikes or income loss. In the long term, these factors drive the likelihood that residents will leave Sonoma County.

Second, housing cost burden reduces the share of household budgets used for essential services and basic necessities such as child care, health care, food, and other needs. Severely cost-burdened households are more likely to cut back on health care, skip dental care, and struggle to afford child care. After paying for rent and essentials, few, if any, low-income households are left with disposable income or the ability to save for emergencies, retirement, or home down payments.

These human outcomes reflect decades of policy favoring the development of detached single-family homes, rather than a range of housing options. This drove up housing costs at a rate that far outpaced income growth. We view this report as being paramount for helping local leadership contemplate policy solutions that expand housing choices available to Sonoma County residents.

## MAJOR FINDINGS

**Cost burden is on the rise across all households, but low-income earners, renters, and nonwhite residents are more likely to be severely cost-burdened.**

- **The biggest disparities in cost burden occur between low-income earners and high-income earners.** Half of all residents earning 50–60% AMI are severely cost-burdened compared to just under 10% of the wealthiest Sonoma County residents. But middle-income households, just below 120% AMI, still experience stress over household finances year round (9–12 months) at rates equal to the lowest income earners.

- **The share of renters who experience severe housing cost burden is higher than homeowners and the disparity between cost-burdened and unburdened renters is significant.** Only 1 in 4 owners are severely cost-burdened compared to nearly 40 percent of all renters. Severely cost-burdened renters experience difficulty paying rent nearly all months (8-12 months of the year), a rate 4 times that of unburdened or moderately burdened renters.
- **Families with young children demonstrate a higher susceptibility to severe cost-burden.** They are twice as likely to be severely cost-burdened as all other households.
- **Latino households are almost 30% more likely to pay more than half their income on rent than white households.**

Severe cost burden limits where we can live, in what conditions, for how long, and are even a key determinant for why we move.

- **Difficulty paying for housing increases the likelihood of housing insecurity.** Households who experience even one month of difficulty paying for housing indicate double the rates of stress on their housing situation. Changes in income, rent, and higher mortgage rates are twice as likely to impact their ability to pay relative to those who experience no months of difficulty paying for housing.
- **Cost burden contributes to unsafe and overcrowded conditions.** The severely cost-burdened are twice as likely to live in over-crowded homes. Having even one month of the year where it is hard to pay for housing doubles the likelihood of living in overcrowded conditions. Black respondents are twice as likely to live in overcrowded households than whites.
- **Housing burden shortens the time we live in the same home.** Experiencing severe rent burden contributes to more frequent moves, and having even a single month where housing is difficult to pay reduces by half the likely duration of residency. Lower income residents overwhelmingly cite unsafe housing conditions as the principal reason for moving.
- **Residents are on the fence about staying in Sonoma County within the next five years.** Younger residents, young families, and those with less educational attainment are more likely to consider leaving Sonoma County, most commonly due to housing costs. Sonoma County's youngest residents are most likely to predict a future move out of the County; 15-24 year olds rank their likelihood of leaving in the next 5 years nearly twice as high as that of respondents age 65+.

Severe housing cost burden stresses household finances, diminishes savings, and forces cuts to spending on health care.

- **Housing cost burden contributes to skipping health care.** Households struggling to afford housing almost every month were 6 times more likely to skip health care than households who never struggle to pay for housing. Severely cost-burdened households are twice as likely to report skipping a physical, mental, or dental care appointment at least once in the last year.
- **Cost burden contributes to food insecurity.** Half of all severely cost-burdened households in Sonoma County struggled to afford food at some point in the last 12 months.
- **Child care is routinely cut.** Roughly 1 in 3 families with young children reported an inability to pay for childcare at least once in the last 12 months; 1 in 4 indicated an inability to afford preschool at least once.
- **Savings are diminished.** In their responses, residents overwhelmingly named greater savings as the number one use of expenses if they did not spend such large portions of their budget on housing.

Housing cost burden and household finances are a significant source of stress for a vast majority of our residents.

- **Nearly 80 percent of all respondents experienced stress about household finances at least some of the year.** One third of 25- to 44-year-olds report household financial stress year-round. Just over 80% of nonbinary Sonoma County respondents report experiencing stress about household finances over half the year. Black and Latino households report a higher frequency of feeling stressed about being forced to move in the last year than white households.

This report is intended to help readers understand how housing cost burden impacts the people in our community, to better define safety, stability, and comfort in housing, and to inform critical decisions related to housing and services provided to those who suffer housing cost burden. This report can also help to determine how we can meet the varied housing needs of our community now and in the future.

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