



**F O C U S**  
*strategies*

**HOUSING MARKET GAP ANALYSIS**

Prepared for the County of Sonoma by Focus Strategies

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## **Background and Purpose**

The Sonoma County Community Development Commission (CDC) engaged Focus Strategies to assist community leadership and key stakeholders to evaluate, align, and improve the countywide response to the local crisis of homelessness. In the first phase of the project, Focus Strategies conducted a qualitative Baseline System Assessment, completed in August 2020. The Baseline Assessment identified strengths and challenges in the community's current response to homelessness and identified preliminary recommendations for system improvement.

The second phase was comprised of two parts. First, Focus Strategies conducted a series of data analyses designed to complement the qualitative analysis completed in Phase One and assessed the community's response to homelessness by analyzing project and system performance. That report described our approach to the quantitative analysis, the methodology used, and the system performance results. We also provided recommendations for system improvement informed by both the data analysis and findings from the Baseline Assessment.

This report presents the second product from the second phase; it is an analysis of affordable housing inventory, with a particular focus on housing for people with extremely low incomes. The report also considers racial and ethnic disparities in the need for housing for people with extremely low incomes. Taken together, the three reports produced in Phase One and Two provide a contextual and analytic foundation that community leaders and key stakeholders can use to develop a new Strategic Plan to reduce homelessness in Sonoma County.

## **Overview and Local Context of Housing Market Gap Analysis**

This analysis provides an overview of the current affordable housing market in Sonoma County and provides estimates on the balance between the demand for and supply of affordable rentals for extremely low-income (ELI) households over the next several years (FY 2023/2024). We begin with an overall analysis of housing available in Sonoma County and then focus on units that are affordable for households at 30% or less of the Area Median Income (AMI); these are the units that people experiencing or at risk of homelessness are most likely to be able to afford and that are most urgently needed as part of an overall communitywide strategy to reduce homelessness.

A variety of sources - including data from the American Community Survey, the Census Pulse Survey, and information published by the California Housing Partnership, the National Low-Income Housing Coalition, and Beacon Economics - are used to paint a picture of affordable housing market conditions. Several factors should be noted to place this analysis in context:

- At the end of September 2020, Sonoma and Napa counties were in the midst of a growing wildfire known as the Glass Fire. Evacuations were currently underway in the vicinity of the fire, and as of this writing more than 8,500 structures are threatened by the 11,000-acre fire.<sup>1</sup> Any loss of housing stock will need to be accounted for in future housing market analysis work undertaken.
- There is substantial current uncertainty surrounding the local economy and housing due to the COVID-19 pandemic. The incidence of COVID-19 is higher amongst low-income populations and there is also more extensive job loss in that population; subsequent loss of stable housing becomes more likely. Again, the impact of the pandemic, changes to housing stock and affordability will need to be included in future housing market analysis work.

Regardless of the contextual factors noted above, findings presented are relevant to gauging trends and identifying gaps in the availability of low-income housing, especially for ELI households.

Overall, we find that:

- Aggregate housing unit production in Sonoma County has not kept pace with demand
  - Existing aggregate shortage of several thousand units are expected to increase based on current trends<sup>2</sup>
- A substantial gap exists in affordable housing available to ELI households
  - Estimated gap of 7,500-11,000 units
- Hispanic households are more likely than non-Hispanic households to be ELI
  - 12% of Hispanic households were ELI, compared with 7% non-Hispanic households

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<sup>1</sup> <https://www.pressdemocrat.com/article/news/live-updates-more-fire-evacuation-orders-issued-for-east-santa-rosa/>

<sup>2</sup>Using aggregate population and housing inventory data from the American Community Survey, our analysis suggests that the shortage is in the area of 5,500 units; Beacon Economics estimated the shortage to closer to 13,000 units based on housing, growth, and employment trends. Results from both are discussed in the report.

## Sonoma County General Population and Unit Production Growth

The next table presents Census data from 2010-2018.<sup>3</sup> The cells with ***bolded, italicized font*** indicate estimates generated by Focus Strategies using the compound annual growth rate.

As the data indicate, between 2010 and 2016, population growth outpaced the production of new housing in Sonoma County, contributing to a backlog of the number of units available for a growing population. In 2017, the number of units produced was essentially equal to the number of people added to the population. However, 2017 also marks the year the Sonoma County Complex Fires (the collective name of Nuns, Tubbs, and Pocket Fires) swept through the county, resulting in a significant loss to housing stock. This matter is discussed in more detail later in the analysis. The resultant drop in population and housing units available is evident in the 2018 data; consequently, we only use 2010-2017 to project future trends for this analysis.

### Estimating Growth in Population and Unit Production

Year	General Population			Units		
	Estimate	Net Change in Population	% Increase from Previous Year	Estimate	Net Change in Units	% Increase from Previous Year
2010	485,120	NA	NA	204,595	NA	NA
2011	488,116	2,996	0.62%	205,383	788	0.39%
2012	491,829	3,713	0.76%	204,760	-623	-0.30%
2013	495,025	3,196	0.65%	205,684	924	0.45%
2014	500,292	5,267	1.06%	207,220	1,536	0.75%
2015	502,146	1,854	0.37%	207,891	671	0.32%
2016	503,070	924	0.18%	208,153	262	0.13%
2017	504,217	1,147	0.23%	209,308	1,155	0.55%
2018	499,942	-4,275	-0.85%	205,247	-4,061	-1.94%
2019	<b><i>502,707</i></b>	2,765	0.55%	<b><i>205,916</i></b>	669	0.33%
2020	<b><i>505,487</i></b>	2,780	0.55%	<b><i>206,587</i></b>	671	0.33%
2021	<b><i>508,283</i></b>	2,796	0.55%	<b><i>207,260</i></b>	673	0.33%
2022	<b><i>511,094</i></b>	2,811	0.55%	<b><i>207,935</i></b>	675	0.33%
2023	<b><i>513,921</i></b>	2,827	0.55%	<b><i>208,613</i></b>	678	0.33%
2024	<b><i>516,764</i></b>	2,843	0.55%	<b><i>209,293</i></b>	680	0.33%

<sup>3</sup> American Community Survey.

## Estimating the Housing Gap

Using the data presented thus far, an approximation can be generated to indicate the overall current and future housing gap in Sonoma County. The table below presents this estimate.<sup>4</sup>

First, the estimate suggests that there is a current housing gap that existed historically and was exacerbated due to growth rate in unit production not keeping up with population growth. The estimated total deficit is 5,443 units.

The population continues to grow at a rate somewhat more than the growth rate in unit production (.55% vs. .33% respectively). Combining the current backlog and the continued outpacing of population over unit growth, the community may be short more than 7,400 units in 2024.

### Estimated Aggregate Housing Gap in Sonoma County

Time Period	General Population New People	New Households (People/2.6)	New Units	Surplus (Deficit) Units
Backlog (2010-2019)	17,587	6,764	1,321	(5,443)
Projected 2020-2024	14,507	5,407	3,377	(2,030)
<b>Total through 2024</b>	<b>31,644</b>	<b>12,171</b>	<b>4,698</b>	<b>(7,473)</b>

## The Sonoma Complex Fires

The Sonoma Complex fires in October 2017 destroyed approximately 5,300 homes in Sonoma County (2.5% of residential housing stock). In an analysis of the fiscal and housing impact of the fires, Beacon Economics estimated that an additional 8,143 housing units (including 3,130 rentals) were needed between 2016-2020 to keep pace with employment growth in the county prior to the fires; when factoring in the fires this number increased to more than 13,000 new units.<sup>5</sup> Further, the February 2019 floods in Sonoma County caused considerable damage to housing; an estimated 1,900 homes were affected, 1,760 of which suffered major damage. The authors noted that new housing starts had averaged less than

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<sup>4</sup> The assumption is that the Census population data do not include those experiencing homelessness, but the units produced include all units, including those produced for homelessness.

<sup>5</sup> Thornberg, Christopher, Kleinhenz, R, Meux, E., "Sonoma County Complex Fires: Housing and Fiscal Impact Report", 2018, <http://sonomaedb.org/WorkArea/DownloadAsset.aspx?id=2147564944>

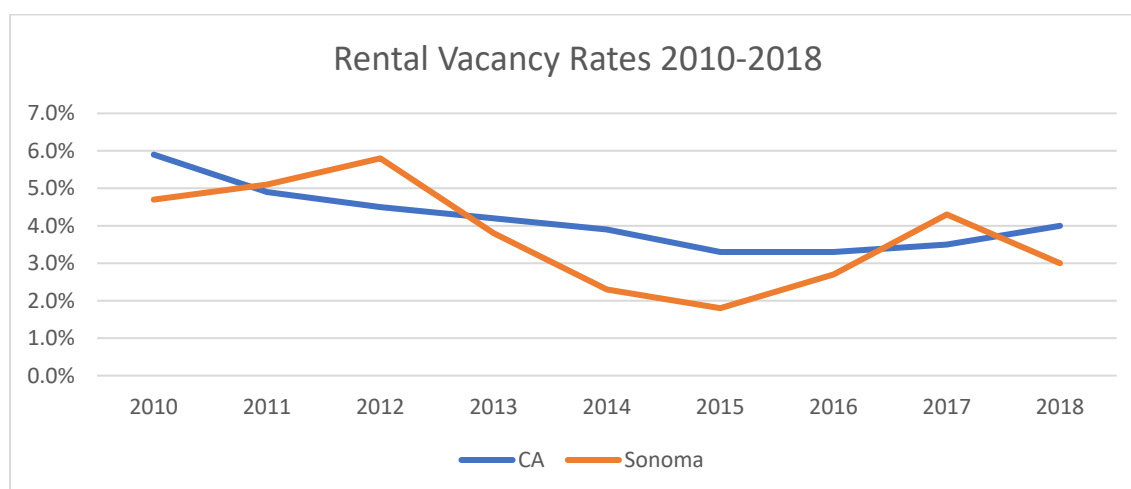
1,000 in the county for the previous several years, indicating that a scarcity of housing was likely to continue without substantial increases in housing development.

The Beacon Economics analysis confirms our estimates that the deficit in housing in Sonoma is likely to grow in the near term, with our projections being more conservative than those offered by Beacon.

### Housing Affordability

The preceding analysis uses aggregate estimates of housing supply and need. A critical component of reducing the number of households experiencing homelessness in a community is an adequate supply of housing that is affordable and available to those with low incomes.

As evident in the chart below, trends in vacancy rates in Sonoma signal a tight housing market overall, in line with the overall trend for the State.



Source: American Community Survey

Data compiled by the California Housing Partnership<sup>6</sup> reveal that rents for a two-bedroom home in Sonoma were flat in 2019 after rising by an annual average of 4.7% between 2013-2018. Furthermore, in 2020 renters needed to earn 2.3 times the minimum wage to afford the average asking two-bedroom rent in Sonoma County.

<sup>6</sup> California Housing Partnership, "Housing Market Dashboard", 2020, <https://chpc.net/housingneeds/>

An analysis by Focus Strategies indicates that there is an acute shortage of housing that is available and affordable to low income households in Sonoma County.<sup>7</sup> As shown in the table below, for every 100 households below 30% AMI, there were only 26 units that were affordable (defined as equaling 30% or less of household income) and available in Sonoma County; for every 100 households below 50% AMI, there were only 33 units affordable and available.

### Sonoma County Affordable Housing Gap Estimates

	<b>ELI (0-30%, incl. 0 inc, or Poverty)</b>	<b>Very Low Income (31-50%)</b>	<b>Low Income (51-80%)</b>	<b>Median Income (81-100%)</b>	<b>Above Median Income (&gt;100%)</b>	<b>Total Across all Income Levels</b>
Rental Households within AMI Category	14,681	10,513	14,824	8,234	23,285	71,537
All Rental Households at or below Threshold Income	14,681	25,194	40,018	48,252	71,537	71,537
Units "Affordable and Available and Adequate" at Threshold	3,806	8,423	28,122	43,909	73,290	73,290
Surplus (Deficit) of Aff. And Avail Adequate Units	(10,875)	(16,771)	(11,896)	(4,343)	1,753	1,753
Aff. and Avail. Adequate units per 100 tenants at or below Threshold	<b>26</b>	33	70	91	102	102

Using Public Use Microdata Sample (PUMS) data from the Census, we analyzed the distribution of ELI households and units with rents affordable to ELI households by County region, as defined by Public Use Microdata Area (PUMA) codes. The results are provided in the table below. Overall, we note a significant shortage of affordable units in each PUMA code, with the highest gap found in the Santa Rosa region.<sup>8</sup>

<sup>7</sup> Our estimate of the gap is based on the methodology used by the NLIHC in its Annual Gap Report (Aurand et al., "The Gap: A Shortage of Affordable Homes", 2020, [https://reports.nlihc.org/sites/default/files/gap/Gap-Report\\_2020.pdf](https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2020.pdf)).

<sup>8</sup> This analysis does not factor in availability (i.e., if the unit is vacant/is being rented to an ELI household); as such it represents the minimum estimate of need for ELI affordable units, by assuming that all existing ELI affordable units are rented to ELI households only).



### ELI Housing Gap by PUMA Region

	ELI Units	ELI Households	ELI Gap
SC - North	3,000	4,580	(1,580)
SC - South (incl. Petaluma)	1,530	2,790	(1,260)
SC - Central (incl. Santa Rosa)	2,697	7,311	(4,614)
<b>Total</b>	<b>7,227</b>	<b>14,681</b>	<b>(7,454)</b>

Data from the California Housing Partnership<sup>9</sup> show that Sonoma modestly boosted supply of Low-Income Housing Tax Credit housing by 8% between 2016 and 2019 primarily through new construction. However, the 423 units produced in 2019 are insufficient to meet the existing and growing demand for affordable housing among low income households; they represent just less than 4% of the needed number of units.

### Racial/Ethnic Disparities

Racial and ethnic disparities in the likelihood of experiencing homelessness are linked with over-representation among ELI households. The recent GAP report<sup>10</sup> notes that disparities exist in the likelihood of different racial and ethnic groups being classified as extremely low-income renters. Specifically, Black, Native American and Hispanic households nationally are more likely than White households to be ELI renters (20% Black population is ELI, as is 17% of American Indian/Alaskan Native, and 15% of Hispanic, compared to 6% of non-Hispanic White households).

For Sonoma, the data are slightly different for race compared with national data. For example, when looking at race alone, 3.9% of Black-only households in the county and none of the Native American-only households are ELI renters, compared with 6.8% of White households. Asian households were only slightly more likely (7.9%) to be ELI renters than White households. In contrast households reporting a different race (16.5%) or multiple races (13.5%) were considerably more likely than White households to be ELI renters.

Disparities in the ethnicity of Sonoma ELI renters are in line with national estimates: approximately 12% of Hispanic households were ELI renters, compared with 7% of non-Hispanic households. Combining race and ethnicity into a single variable, our analysis

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<sup>9</sup> California Housing Partnership, "Housing Market Dashboard", 2020, <https://chpc.net/housingneeds/>.

<sup>10</sup> Aurand, Andrew, et al., 2020.

showed that White-only non-Hispanic households had a much lower likelihood of being ELI renters (6.7%) than non-White and/or Hispanic households (10.8%).

## **COVID-19**

The unprecedented drop in employment and economic activity due to COVID-19 has made paying rent a tenuous prospect for many households. Using data from the Census Pulse Survey, one firm has estimated that up to 42% of all rental households could face eviction over the next four months due to inability to pay rent.<sup>11</sup> The timing of increased evictions is uncertain due to the California eviction moratorium, and has been a reprieve for many low-income renter households. The eviction moratorium will not prevent or solve the issue, however, unless there are funds available for rent relief to pay back-rent when the moratorium lifts.

The Pulse data also show racial/ethnic disparities in confidence to pay the next month's rent, with a higher proportion of White rental households expressing high or moderate confidence compared to African American, Hispanic, and multi-racial households. Current evidence also indicates that African Americans, Native Americans, Asian-Americans, and Hispanics are more likely to be hospitalized and die from COVID compared with White non-Hispanic individuals at the national level.<sup>12</sup> In Sonoma County, the disparities in the distribution of cases by race/ethnicity are particularly salient for Hispanic residents, compared with White, non-Hispanic residents, as evidenced in the next table.

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<sup>11</sup> Stout Consulting, 2020, <https://www.stout.com/en/services/transformation-change-consulting/eviction-right-to-counsel-resources>).

<sup>12</sup> (CDC, n.d.) Retrieved on 8/23/2020 from <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html>.

## Sonoma County COVID-19 Cases by Race/Ethnicity

Race/Ethnicity	Cases	Percent of COVID Cases	Percent of Population
Hispanic / Latino	2,214	51%	25.6%
White, non-Hispanic	731	17%	64.2%
Asian / Pacific Islander, non-Hispanic	76	2%	5.2%
Multi-Race	45	1%	2.3%
Black / African American, non-Hispanic	27	1%	1.7%
Other	67	2%	-
Unknown	1,217	28%	-

Source: State of California data for Sonoma County reported on August 22, 2020

<https://socoemergency.org/emergency/novel-coronavirus/coronavirus-cases/>

Viewed together, these data suggest that the effects of COVID are likely to widen existing racial and ethnic disparities in housing security and health nationally, inclusive of Sonoma County.<sup>13</sup>

### Conclusion

The relative paucity of housing affordable and availability to low-income households in Sonoma County is consistent with conditions experienced in many other California communities. Our analysis suggests that current efforts to increase the supply of affordable housing will need to be significantly scaled up to meet the existing backlog of demand, let alone the projected increase in demand over the next few years. For example, the data indicate that an additional 7,500-11,000 units are needed to address the current gap in affordable housing faced by ELI households. The effects of natural disasters have only compounded the challenge and highlight the need to prioritize increasing equity among marginalized groups.

Marshalling resources to scale up production of housing for ELI households will be critical to the success of the community's efforts to reduce homelessness and to address equity in

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<sup>13</sup> COVID-19 has also impacted the ability to finance the construction of new affordable housing in Sonoma. For example, the 2% tax on hotel stays to build and preserve workforce units in Healdsburg could decline precipitously as people stop traveling. The tax netted more than \$730,000 last year and is one of the few options available to the city to finance the creation of affordable housing.

<https://www.pressdemocrat.com/article/news/construction-of-affordable-housing-in-sonoma-county-impacted-by-coronavirus/?ref=related&sba=AAS>

access to affordable housing. As noted in our System Performance Report, data analysis shows that temporary programs (emergency shelter, transitional housing) are not achieving high rates of success in assisting households to secure housing upon exit. While some performance improvement can be achieved through the provision of expanded rental assistance, as well as case management, housing navigation and other services to help households secure housing in the existing market, significant and sustained improvement will require an expansion of housing supply.