

### What is housing cost burden?

Housing—along with food, clothing, transportation and medical care—is a necessity. For many households, it is their largest monthly expense. When households spend more than 30% of their monthly income on housing costs, they are considered “cost-burdened.” The inability of households to find housing they can afford has far-reaching effects. For example, a recent national report found cost-burdened households (especially low-income households experiencing cost burden) are forced to make cutbacks on food and health care spending, undermining their overall well-being ([Joint Center for Housing Studies, 2014](#)).

Nationally, a third (33%) of households were housing cost burdened in 2013. Cost burden is generally higher in large cities (especially on the coasts), where housing tends to be more expensive. Compared to other large metro areas in the U.S., cost burden in the Twin Cities is relatively low (we ranked 4<sup>th</sup> least burdened among the 25 largest metros in 2008-2012). Even so, cost burden in the Twin Cities MSA grew considerably over the last decade, jumping from about one in four households in 2000 to one in three in 2008-2012, on par with the U.S. overall.

Download data on housing cost burden for cities, townships, counties and the region at <http://metro council.org/data>. Select “Demographic, economic and commuting characteristics from the U.S. Census Bureau.”

This report was written by Krysten Ryba-Tures, Researcher on the Regional Policy and Research team at the Metropolitan Council. For more information, please contact us:

[research@metc.state.mn.us](mailto:research@metc.state.mn.us)

### Key Findings

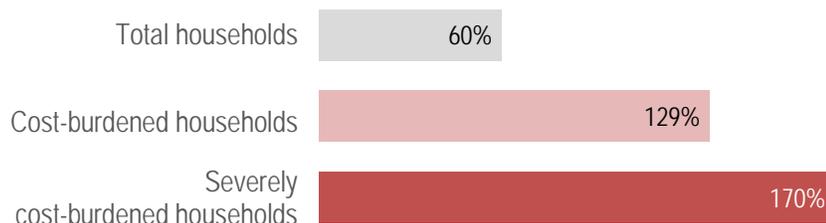
- Housing cost burden—that is, households who spend more than 30% of their monthly income on housing costs—has increased over time (especially since 2000) and has increased across the region (not just in some communities).
- For homeowners, cost burden has resulted from incomes not keeping pace with housing costs. However, data from the last three years show a decline in cost-burdened homeowners. This suggests cost burden for homeowners is more closely tied to the performance of the housing market overall.
- A considerable share of renters have experienced housing cost burden since 1980. Inflation-adjusted data show renters’ incomes have declined substantially since 2000. Even with relatively stable rents in the region overall, this has resulted in almost half (48%) of renters in the Twin Cities region experiencing cost burden in 2013.
- Housing cost burden disproportionately affects low-income households, households of color and single-person households.

### Introduction

The housing market—and national economy as a whole—is slowly recovering from the Great Recession. Compared to other regions, the share of households in the Twin Cities experiencing housing cost burden is relatively low (see sidebar). However, housing cost burden in the region has increased considerably in the past 30 years, affecting a wide range of residents.

For context, Figure 1 shows the growth of households overall compared to those experiencing cost burden and severe cost burden (households spending half or more of their income on housing). In 1980, about 150,000 households across the region were considered cost-burdened. By 2013, that number was closer to 336,000.

Figure 1. Growth in the number of households by cost-burden status between 1980 and 2013

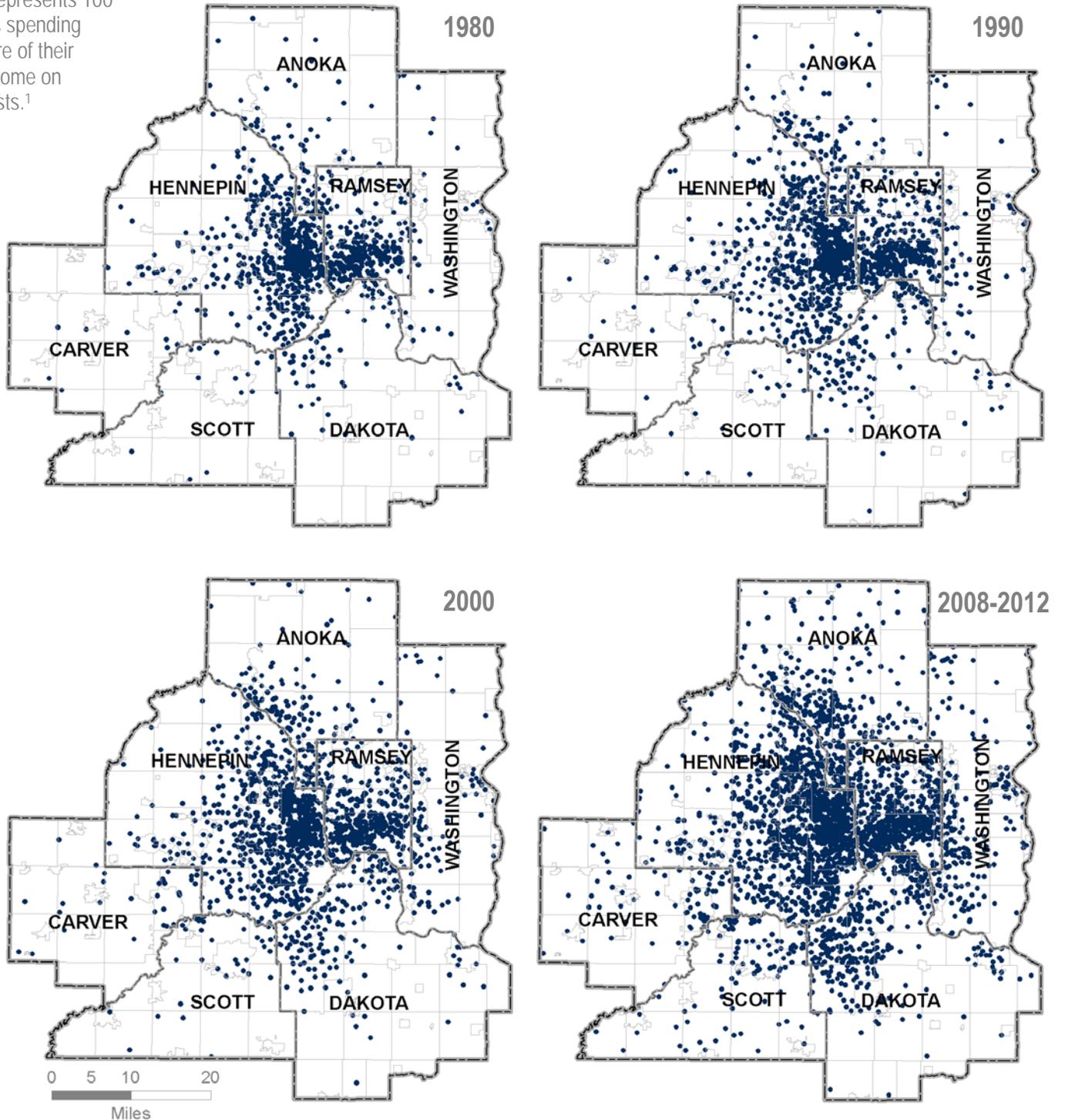


Source: U.S. Census Bureau, 1980 Census (Summary File 3); 2013 American Community Survey; Metropolitan Council Annual Population and Household Estimates, 2013.

The maps in Figure 2 show the increase of cost-burdened households in both number and location across the region from 1980 to 2008-2012.

Figure 2. Number of households experiencing housing cost burden in the Twin Cities region in 1980, 1990, 2000 and 2008-2012

Each ● represents 100 households spending 35% or more of their monthly income on housing costs.<sup>1</sup>



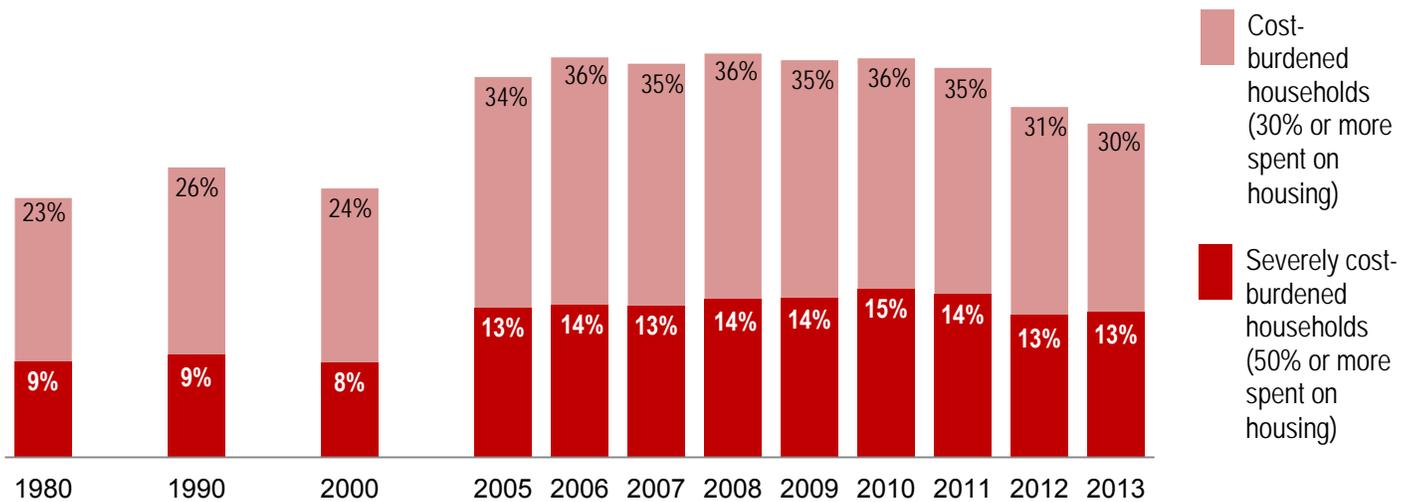
Source: U.S. Census Bureau, 1980 Census (Summary File 3); 1990 Census (Summary File 3); 2000 Census (Summary File 3); 2008-2012 American Community Survey.

<sup>1</sup> This definition of cost burden (35% or more of monthly income spent on housing) is different than the one used in the rest of the report (30%). This is due to data availability issues in the 1980 data.

Between 1980 and 2000, about one in every four households in the region (about 25%) experienced housing cost burden and less than one in ten households (about 9%) were severely cost-burdened (Figure 1). However, 2005 marks a considerable increase in the share of households experiencing housing cost burden: more than one in three (about 33%) households in the region were cost burdened, a trend that continued throughout the mid- and late-2000s. Further, severe cost burden also increased to about one in every seven households (about 14%).

The share of cost-burdened households decreased in 2012 and again in 2013, improving as the housing market rebounds. The share of severely cost-burdened households has remained consistent in recent years, suggesting not all households experiencing cost burden are benefiting from this recovery.

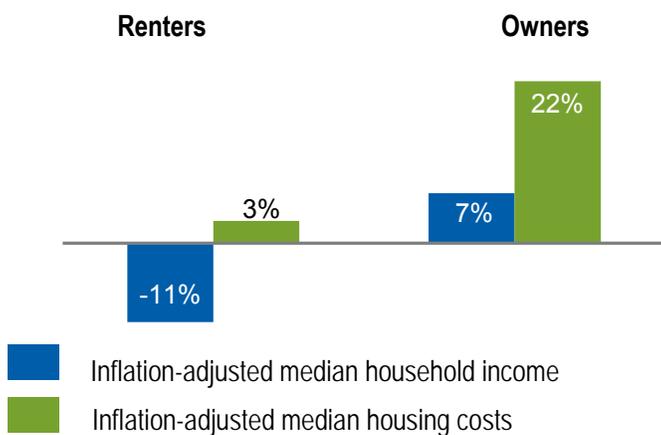
Figure 3. Share of households experiencing housing cost burden in the Twin Cities region, 1980 to 2013



Source: U.S. Census Bureau, 1980 Census (Summary File 3); 1990 Census (Summary File 3); 2000 Census (Summary File 3); 2005-2013 American Community Survey.

### Both income and housing costs factor into housing cost burden

Figure 4. Change in household income and housing costs, 1990 to 2008-2012



Cost burden is the result of two forces on households—income and housing costs. A household may experience cost burden for a variety of reasons, for example their income decreased but housing costs remained the same or their incomes increased but not as much as the cost of their housing.

Figure 4 shows both of these scenarios occurred in the region since 1990. While the median cost of housing for renters has increased slightly, renters’ incomes decreased by 11%. Conversely, homeowners in the region experienced a modest growth in household income since 1990 but not enough to offset the increases in the cost of housing over the same time period.

Source: U.S. Census Bureau, 1990 Census, 5% Public Use Microdata Sample (via Integrated Public Use Microdata Series); 2000 Census, 5% Public Use Microdata Sample; 2008-2012 American Community Public Use Microdata Sample.

## Stagnant incomes and rising costs led to homeowner cost burden

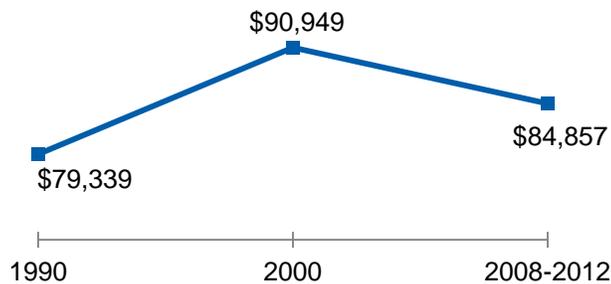
The Minneapolis-Saint Paul-Bloomington, MN-WI metro area has one of the highest rates of homeownership in the nation—in 2013, 70% of households owned their homes. While homeownership is generally described as an opportunity for a household to build wealth, for homeowners experiencing housing cost burden that opportunity, as well as an overall sense of stability, may be missed.

Looking at the inflation-adjusted median income of homeowner incomes, we can better understand one half of the cost burden formula for homeowners: incomes increased only slightly overall (between 1990 and 2008-2012) and actually declined in the past decade (Figure 5).

We can further break down household income trends of homeowners by using data from the U.S. Department of Housing and Urban Development (HUD). This unique dataset benchmarks household income to a measure called Area Median Income (AMI). Area Median Income is a term used by HUD to describe midpoints of income for households by household size within a region. In 2012, Area Median Income for a family of four within the 13-county metro area of the Twin Cities was \$83,900. Using AMI as a benchmark allows us to trend household income over time in a way Census data (used in previous figures) do not.

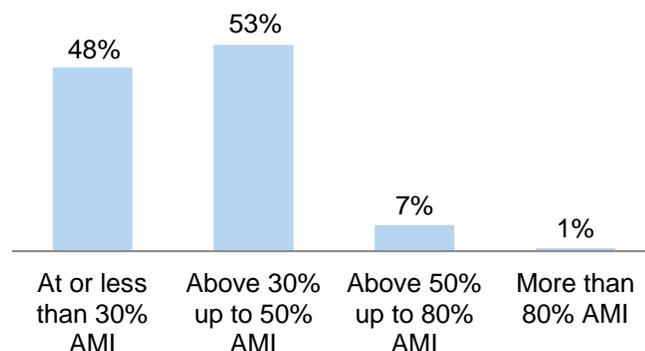
These data show that growth in the number of homeowners with incomes of 50% or less of Area Median Income grew considerably since 2000 (Figure 6). This aligns with the unusually flexible financing terms available during the housing bubble that allowed even those with very low incomes to become homeowners. In 2012, 24% of homeowners in the Twin Cities region had household incomes at or below 50% AMI. Of those low-income homeowners, 73% were cost-burdened.

Figure 5. Inflation-adjusted median household income for homeowners in the Twin Cities region (2012 dollars)



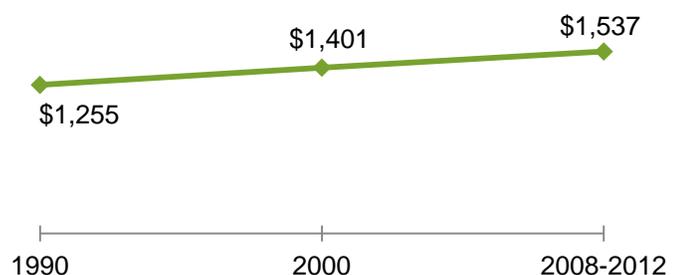
Source: U.S. Census Bureau, 1990 Census, 5% Public Use Microdata Sample (via Integrated Public Use Microdata Series); 2000 Census, 5% Public Use Microdata Sample; 2008-2012 American Community Survey Public Use Microdata Sample.

Figure 6. Growth in the number of homeowners by household income as a percent of Area Median Income (AMI) between 2000 and 2012 in the Twin Cities region



Source: U.S. Department of Housing and Urban Development, 2000-2012 Comprehensive Housing Affordability Strategy data.

Figure 7. Inflation-adjusted monthly median housing costs for homeowners in the Twin Cities region (2012 dollars)



Source: U.S. Census Bureau, 1990 Census, 5% Public Use Microdata Sample (via Integrated Public Use Microdata Series); 2000 Census, 5% Public Use Microdata Sample; 2008-2012 American Community Survey Public Use Microdata Sample.

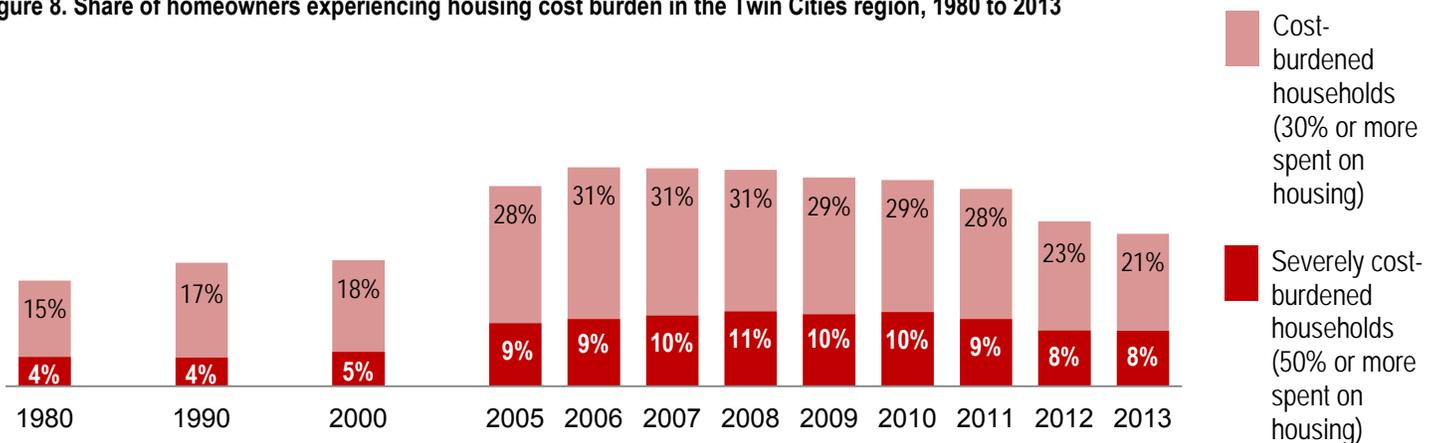
That leaves the other half of the cost-burden equation for homeowners: housing costs. Figure 7 shows that the inflation-adjusted monthly median housing costs for homeowners steadily increased since 1990—or as Figure 4 summarized, median housing cost between 1990 and 2008-2012 increased 22%. In the wake of the Great Recession, much attention was given to the economic impact of subprime lending, adjustable-rate mortgages (ARM) and home equity loans, all of which allowed households to purchase more house (or borrow against their existing home) than more stringent policies and underwriting would have allowed otherwise. From the limited analysis Census data allow, much of the increase in housing costs relates to increases in first mortgage payments (though we cannot cull out ARM or subprime loans), property insurance and property taxes.<sup>2</sup>

### The number, share and geographic spread of cost-burdened homeowners has increased

The share of homeowners experiencing cost burden peaked during the housing crisis (from 2006 to 2008), with about one in every three homeowners experiencing cost burden (Figure 8). The most recent data show a decline in cost burden among homeowners, perhaps reflecting the increase in refinancing options and increased activity in the housing market in the past two years.

Levels of severe cost burden for homeowners were low prior to 2005, then nearly doubled. The improvement seen in overall cost burden in the 2012 and 2013 data are not seen in homeowners experiencing severe cost burden.

Figure 8. Share of homeowners experiencing housing cost burden in the Twin Cities region, 1980 to 2013



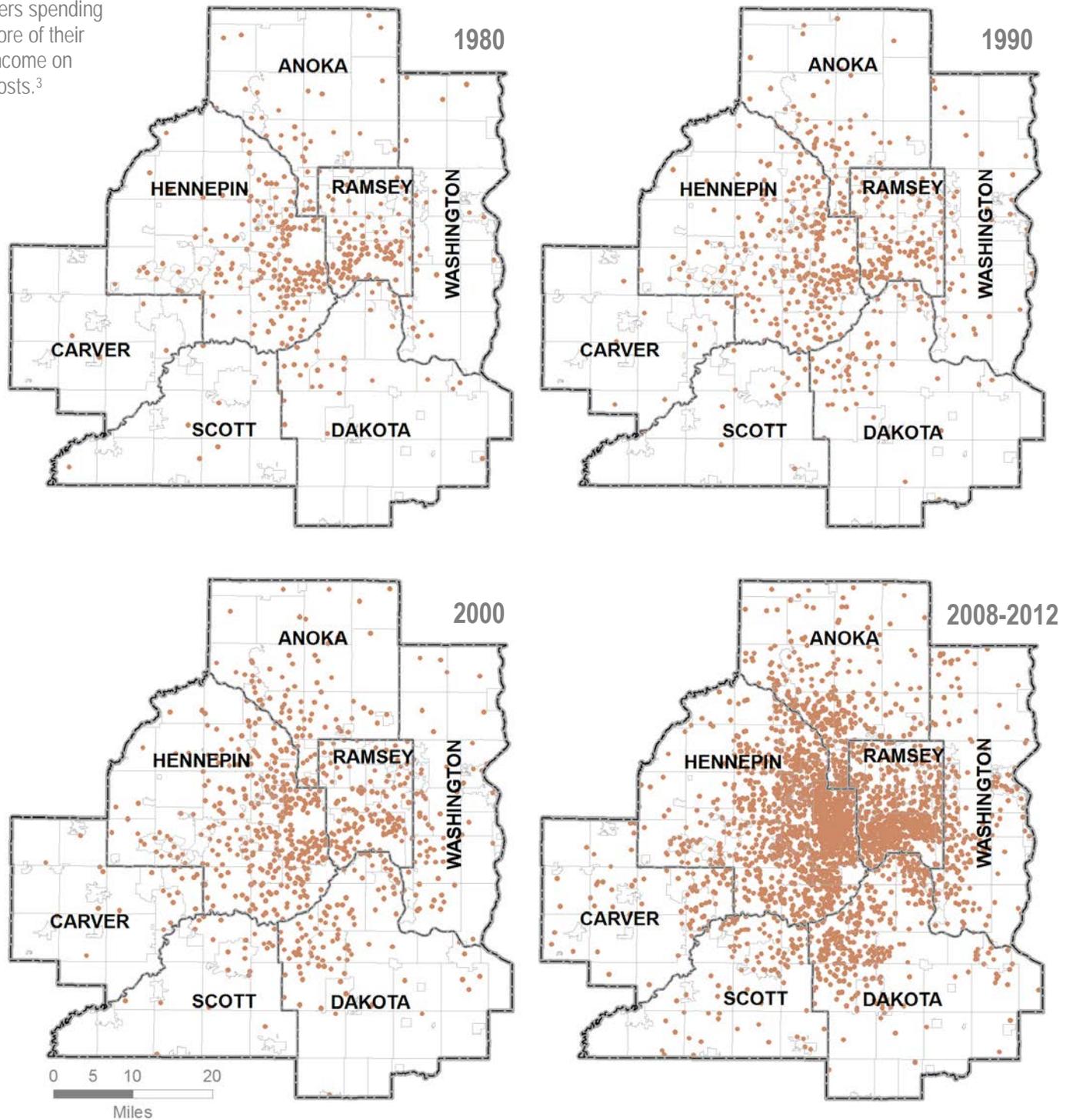
Source: U.S. Census Bureau, 1980 Census (Summary File 3); 1990 Census (Summary File 3); 2000 Census (Summary File 3); 2005-2013 American Community Survey.

The maps in Figure 9 show the number of cost-burdened homeowners in the region over the past 30 years. While relatively few dots appear in 1980, 1990 or 2000, there is an explosion in the 2008-2012 map, reflecting spatially what Figure 8 indicates in percentages.

<sup>2</sup> Metropolitan Council staff analyzed U.S. Census Bureau, 2000 Census, 5% Public Use Microdata Sample (via Integrated Public Use Microdata Series) 2005 to 2012 for the Twin Cities region.

**Figure 9. Number of homeowners experiencing housing cost burden in the Twin Cities region in 1980, 1990, 2000 and 2008-2012**

Each ● represents 100 homeowners spending 35% or more of their monthly income on housing costs.<sup>3</sup>



Source: U.S. Census Bureau, 1980 Census (Summary File 3); 1990 Census (Summary File 3); 2000 Census (Summary File 3); 2008-2012 American Community Survey.

<sup>3</sup> This definition of cost burden (35% or more of monthly income spent on housing) is different than the one used in the rest of the report (30%). This is due to data availability issues in the 1980 data.

## Substantial declines in income led to renter cost burden

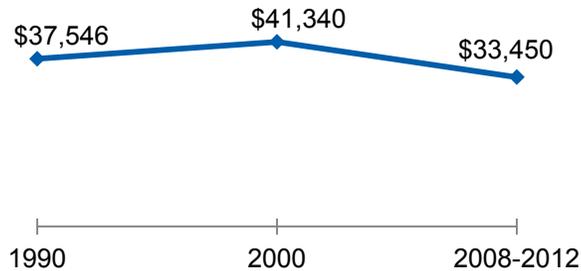
Although homeownership in the Twin Cities region is strong, the number of residents who rent their homes—as well as the economic activity within the rental market—has amplified. Since 2000 the region gained over 65,000 renters, an increase of 23%. Further, since 2011, the number of permits issued to build new multifamily units has surpassed the number for single family homes.

Renters' incomes are—on average—lower than those of homeowners. For context, consider that a common measure of 'working poor' is 150% of the federal poverty line, about \$34,575 for a family of four in 2012. The inflation-adjusted median household income for renters in the Twin Cities region in 2008-2012 was \$33,450 (Figure 10). Renter incomes were lower in this time period (2008-2012) than in 1990. As Figure 4 summarized, renters' incomes have declined 11% in the last 20 years.

The number of renters with very low incomes grew considerably—70%—since 2000 (Figure 11). As of 2012, there are over 100,000 renter households in the region with household incomes at or below \$25,000 (about 30% AMI) and nearly 70,000 with incomes between 30% and 50% AMI. Households with incomes at or below 30% AMI would need to rent housing that costs less than \$650 per month to avoid cost burden. Half of all renters in 2012 had household incomes at or below 50% AMI. Of those, 80% were cost burdened.

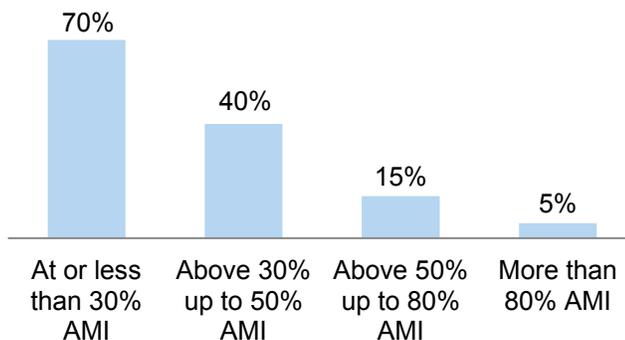
Data from the Census show inflation-adjusted median housing costs for renters in the Twin Cities region increased slightly (3%) between 1990 and 2008-2012 (Figure 12).

**Figure 10. Inflation-adjusted median household income for renters in the Twin Cities region (2012 dollars)**



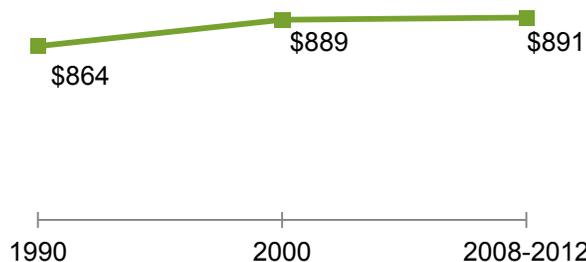
Source: U.S. Census Bureau, 1990 Census, 5% Public Use Microdata Sample (via Integrated Public Use Microdata Series); 2000 Census, 5% Public Use Microdata Sample; 2008-2012 American Community Survey Public Use Microdata Sample.

**Figure 11. Growth in the number of renters by household income as a percent of Area Median Income (AMI) between 2000 and 2012 in the Twin Cities region**



Source: U.S. Department of Housing and Urban Development, 2000-2012 Comprehensive Housing Affordability Strategy data.

**Figure 12. Inflation-adjusted median housing costs for renters (2012 dollars)**



Source: U.S. Census Bureau, 1990 Census, 5% Public Use Microdata Sample (via Integrated Public Use Microdata Series); 2000 Census, 5% Public Use Microdata Sample; 2008-2012 American Community Survey Public Use Microdata Sample.

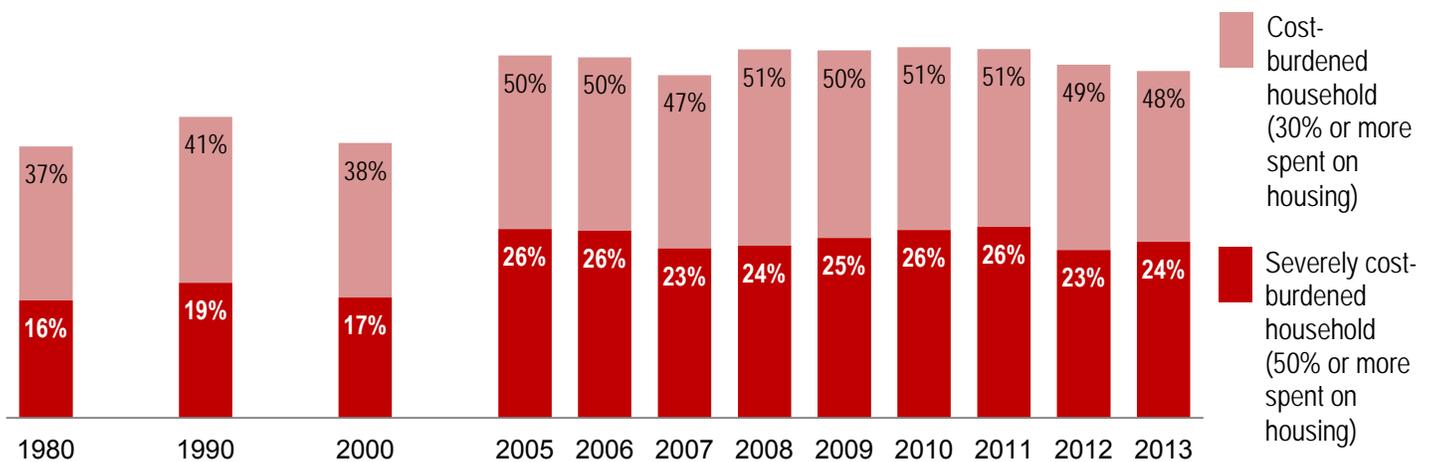
Taking a closer look at specific factors in housing costs (to the extent Census data allow), utility costs and gross monthly payments (rents themselves) are the primary factors behind increased housing costs for renters.<sup>4</sup>

### The number, share and geographic spread of cost-burdened renters is consistent

The share of renters experiencing cost burden is markedly higher than that of cost-burdened owners (compare Figure 8 to Figure 13). Before 2000, the share of cost-burdened renters was below 50%. Starting in 2005, however, the share of cost-burdened renters became 50%, varying only a few percentage points. Unlike homeowners, the share of cost-burdened renters does not appear to have subsided in recent years. This suggests cost burden for renters is more closely tied to the job market and wage growth, rather than the housing market.

Levels of severe cost burden for renters are more than double those of homeowners for any given year. In 1980, 1990 and 2000 less than one in five renters were severely cost-burdened, but consistently since 2005 about one in every four renters has been experiencing severe cost burden.

Figure 13. Share of renters experiencing housing cost burden in the Twin Cities region, 1980 to 2013



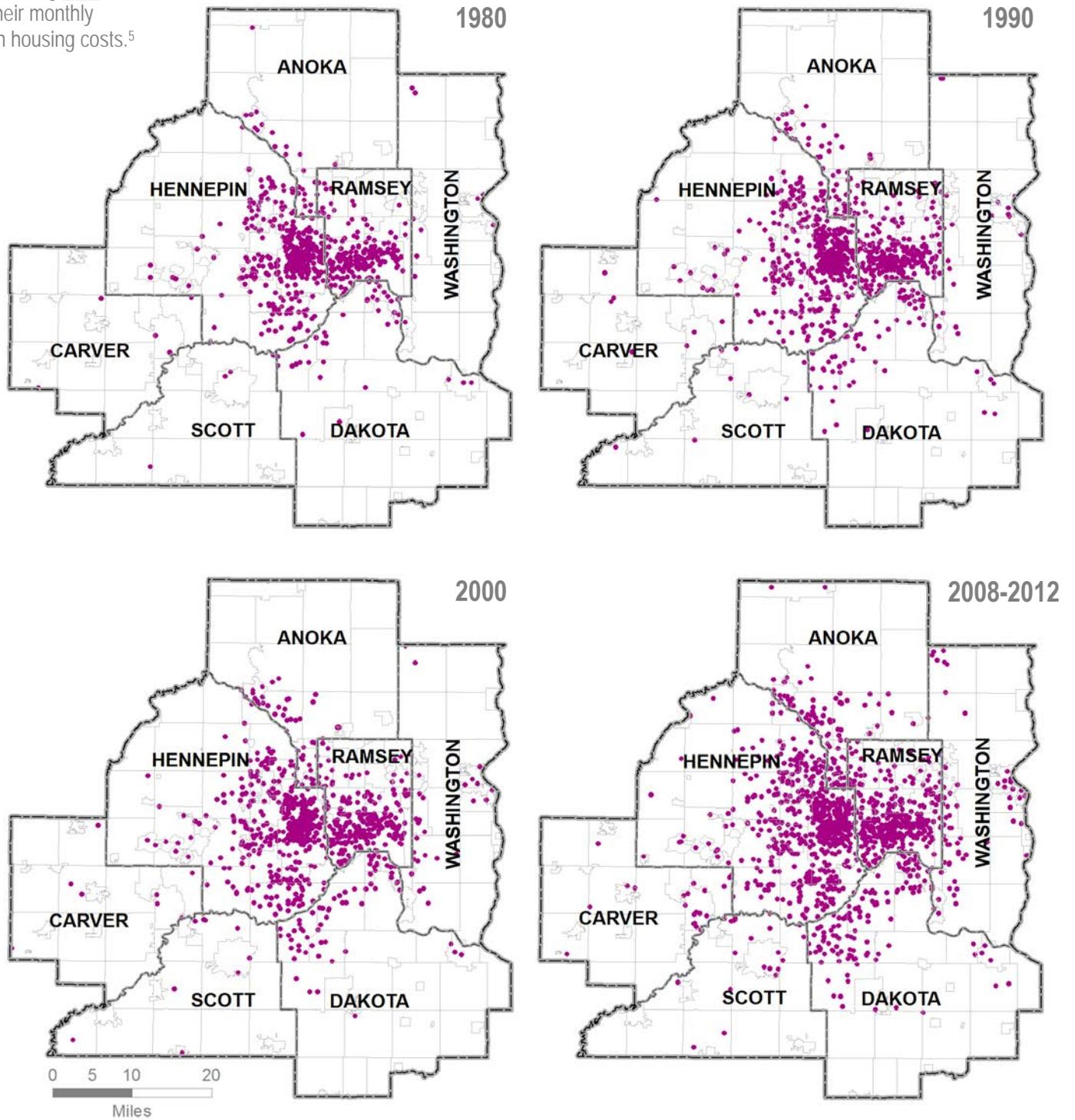
Source: U.S. Census Bureau, 1980 Census (Summary File 3); 1990 Census (Summary File 3); 2000 Census (Summary File 3); 2005-2013 American Community Survey.

Figure 14 shows the number of cost-burdened renters in 1980, 1990, 2000 and 2008-2012. Rental housing is not as evenly dispersed throughout the region as single family homes, therefore the majority of the dots appear in Minneapolis, Saint Paul and their immediate surrounding cities. Note that the number of dots increases over time but it is not as drastic an increase between 2000 and 2008-2012 as seen with homeowners in Figure 9.

<sup>4</sup> Metropolitan Council staff analyzed U.S. Census Bureau, 2000 Census, 5% Public Use Microdata Sample (via Integrated Public Use Microdata Series) 2005 to 2012 for the Twin Cities region.

Figure 14. Number of renters experiencing housing cost burden in the Twin Cities region in 1980, 1990, 2000 and 2008-2012

Each ● represents 100 renters spending 35% or more of their monthly income on housing costs.<sup>5</sup>



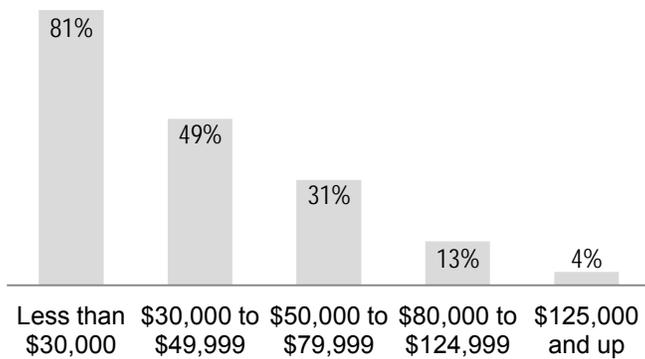
Source: U.S. Census Bureau, 1980 Census (Summary File 3); 1990 Census (Summary File 3); 2000 Census (Summary File 3); 2008-2012 American Community Survey.

<sup>5</sup> This definition of cost burden (35% or more of monthly income spent on housing) is different than the one used in the rest of the report (30%). This is due to data availability issues in the 1980 data.

## Who is most affected by housing cost burden?

Housing cost burden affects some groups of people more than others. As noted above, renters have higher rates of housing cost burden than homeowners.

**Figure 15. Cost-burdened households by household income in the Twin Cities region 2008-2012**



Source: U.S. Census Bureau, 2008-2012 American Community Survey Public Use Microdata Sample.

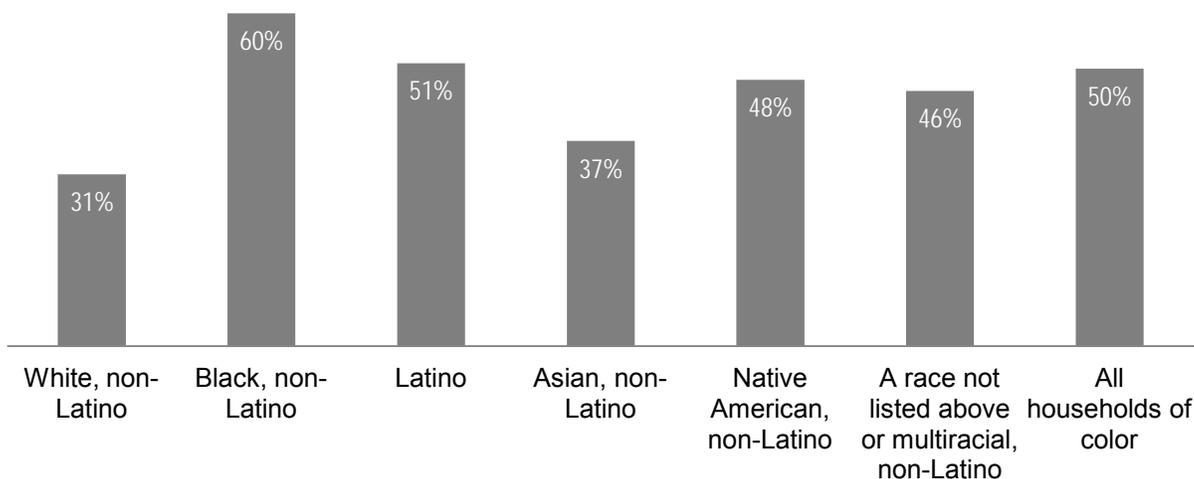
Lower-income households are more likely to be cost-burdened than higher-income households. Census data from 2008-2012 show that about four of every five households (renters and homeowners) with incomes less than \$30,000 a year are cost burdened, compared with one in every twenty-five households with incomes of at least \$125,000 a year (Figure 15).

Housing cost burden in our region stems not from higher-income households buying large homes that they cannot afford (now or during the housing crisis) but from lower-income households simply lacking the resources to pay for housing and other needs. This pattern is likely to continue, [given the low levels of affordable housing production in the Twin Cities region in recent years.](#)

Across all households of color, half are cost-burdened (Figure 16). Black, non-Latino households have the highest rates of cost burden—60%, nearly double the rate for white, non-Latino households (31%). Latino and Native American households also experience disproportionate shares of housing cost burden.

Some of the differences by race and ethnicity can be explained by the lower incomes of households of color, but not all. Even at comparable levels of income, people of color are somewhat more likely to be cost-burdened. For example, among households with income between \$30,000 and \$49,999, 53% of households of color are cost-burdened, compared with 48% of white, non-Latino households.

**Figure 16. Cost-burdened households by race and ethnicity of householder in the Twin Cities region, 2008-2012**



Source: U.S. Census Bureau, 2008-2012 American Community Survey Public Use Microdata Sample.

Housing cost burden can affect the residents of all cities, even when considering different housing tenure balance (renters versus owners), housing stock and households at various income levels. Figure 17 presents 10 cities in the region with the highest number of housing units in 2011-2013 (selecting larger cities increases the availability of American Community Survey data).

The data show that in all areas, the share of renters and homeowners experiencing housing cost burden increased between 2000 and 2005-2007. For many cities, this contracted again after the Great Recession, but in some cases not enough to return to 2000 levels. For example, the share of cost-burdened renters in Maple Grove, Brooklyn Park, Plymouth, Saint Paul and Burnsville underwent double-digit increases between 2000 and 2011-2013. Woodbury experienced very little change in its share of cost-burdened renters in this time period.

The share of cost-burdened homeowners was less dramatic. Burnsville, Bloomington and Brooklyn Park experienced slightly more change in their share of cost-burdened homeowners than other large cities. The share of cost-burdened homeowners in Maple Grove, Eagan and Woodbury remained remarkably consistent.

Figure 17. Share of renters and homeowners experiencing housing cost burden in the cities with the highest number of housing units

	Renters				Homeowners			
	2000	2005-2007	2011-2013	Change in percentage points, 2000 to 2011-2013	2000	2005-2007	2011-2013	Change in percentage points, 2000 to 2011-2013
Minneapolis	39%	51%	48%	8%	21%	35%	29%	7%
Saint Paul	40%	50%	50%	10%	19%	34%	26%	7%
Bloomington	39%	45%	47%	8%	16%	29%	24%	8%
Plymouth	28%	44%	42%	14%	15%	28%	19%	4%
Brooklyn Park	36%	49%	57%	21%	18%	33%	26%	8%
Eagan	31%	39%	38%	7%	15%	26%	17%	2%
Burnsville	33%	49%	44%	10%	17%	31%	26%	9%
Eden Prairie	30%	36%	37%	7%	17%	26%	22%	5%
Maple Grove	23%	56%	51%	28%	17%	25%	20%	3%
Woodbury	36%	35%	36%	0%	17%	25%	19%	2%

Source: U.S. Census Bureau, 2000 Census (Summary File 3); 2005-2007, 2011-2013 American Community Survey.