

Delaware State  
Council on  
Housing

Picture Here

*Opening Doors*

Annual Report  
June 30, 2011

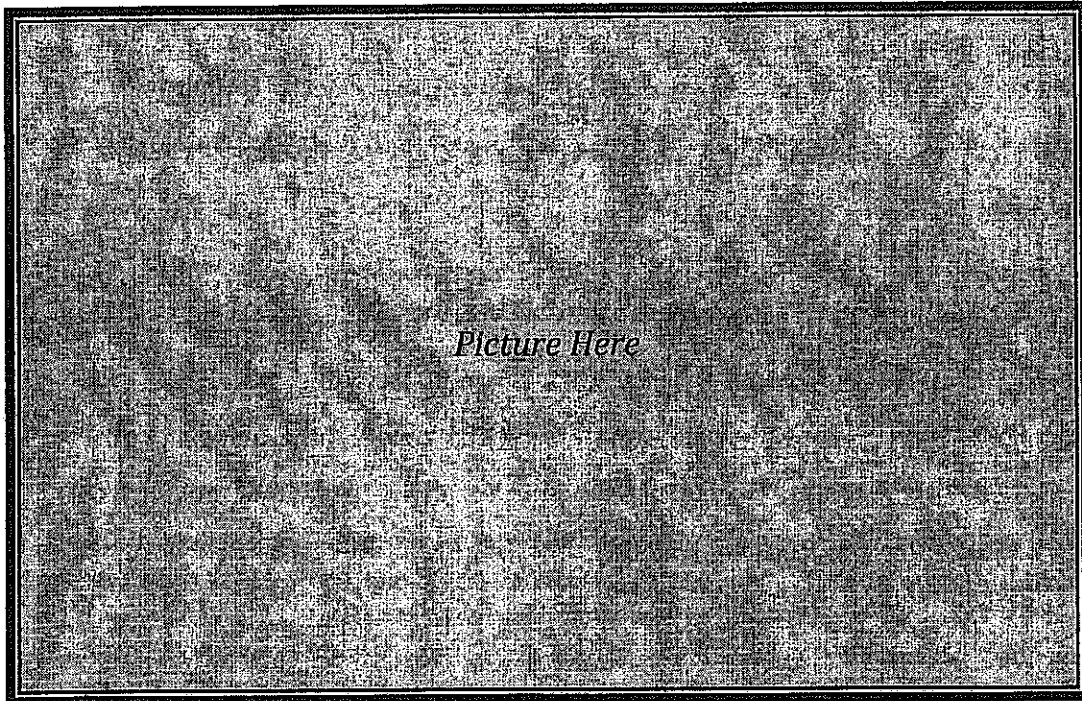


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## Executive Summary

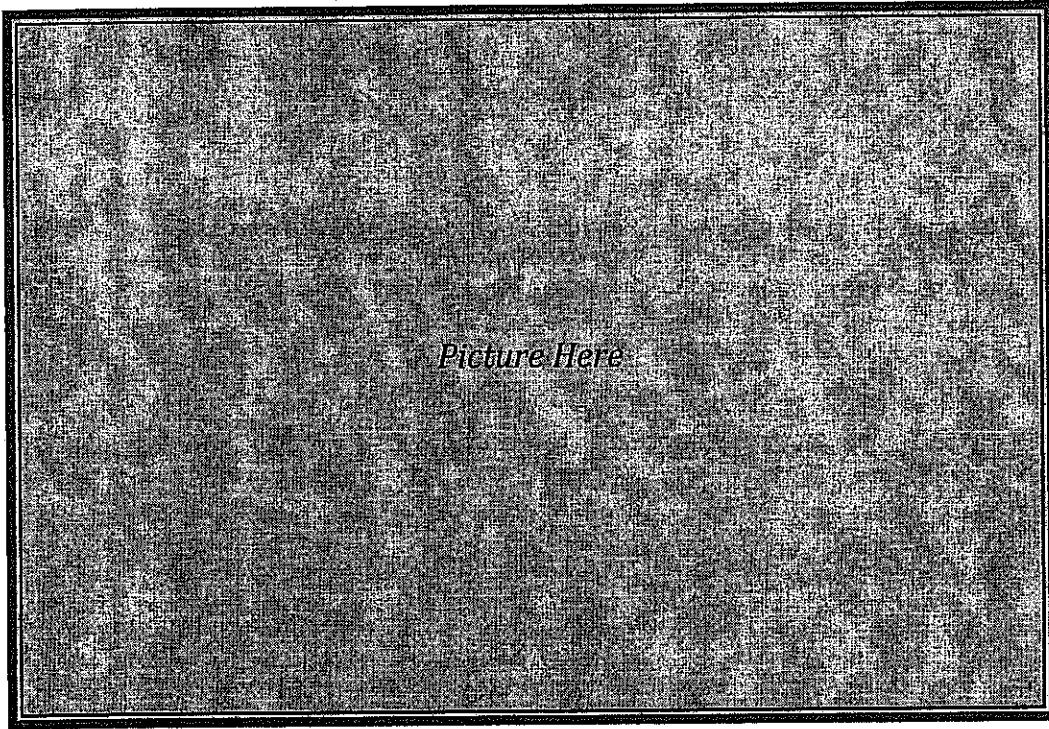
As required by Senate Bill 86, as amended, and passed by the 144<sup>th</sup> General Assembly in January, 2008 (Exhibit 1), the Delaware State Council on Housing presents this Annual Report. (The enabling legislation, functions and organization of the council on Housing are contained in Appendix A to this report.)

Very significant funding of affordable purchase and rental housing continues under the Housing Development Fund (HDF). In fiscal year 2011 the council approved resolutions resulting in over \$14 million in grants and loans from the Housing Development Fund resulting in the creation or preservation of 855 units of affordable housing. These funds supported work on providing homeless services, affordable rental, homeownership, foreclosure prevention, housing rehabilitation, housing counseling and nonprofit administration services. Housing initiatives launched this year have created and sustained jobs in the building industry through the creation and rehabilitation of affordable rental housing sites and through the subsidizing of mortgages for first time homebuyers purchasing new-construction single family homes. This work was supported by Federal stimulus programs which helped DSHA to mitigate the effect of reduced private investment in housing tax credits and bonds.

The Delaware State Council on Housing believes that the state receives an excellent return on its investments in housing. Not only is every dollar allocated used for housing but, according to a 2004 study done by the Delaware Housing Coalition and the University of Delaware, every dollar spent out of the HDF is leveraged by, on average, \$4 of funding from other sources. In addition, the study showed that for every \$1 in total invested in housing by the state, \$7 of economic activity is created.

-Still, the need for affordable housing in the State of Delaware remains great and is increasing. The foreclosure crisis and the current economic downturn have imposed great stress on the housing system and on working families at the lower end of the income brackets. Our recommendations for changes in Law, Policy and Funding seek to raise the priority of housing. We must strive both to meet the need for affordable homeownership and to increase the number of affordable rental opportunities in our state (Exhibit 2). And we must increase our capacity to serve other populations still in need.

Furthermore , -a new challenge faces Delaware - the challenge of h- ensuring that our communities remain strong. The economic downturn and housing market depression have caused new stresses on neighborhood that have presented as vacant properties, poorly maintained facades, and a lack of turnover and mobility. The council supports changing the way housing services and programs are delivered so that they have a positive impact on communities and neighborhoods. The council is looking forward to accomplishing these goals in cooperation with Delaware State Housing Authority (DSHA) and elected officials.



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## HDF Activities

The Housing Development Fund (HDF) is authorized under Title 21 of the Delaware Code and provides financing for developers and homeowners through sponsor agencies. Activities of the sponsor agencies include the acquisition and/or rehabilitation of existing housing, the adaptive re-use of non-residential buildings, and new construction to provide affordable housing to low- and moderate-income families and individuals in Delaware.

The HDF is funded through a number of sources. The state allocates a base budget in the amount of approximately \$4 million from the General Fund each year. The Housing Development Fund received an additional allocation of \$4.5 million in the State Fiscal Year 2011 Bond Bill earmarked for the preservation of affordable rental housing sites. In addition to state funding, the HDF receives income from a portion of the Recorder of Deeds fee – a dedicated revenue source. Lastly, income generated from interest earnings and repayments of HDF loans are recycled back into the fund.

**The operations of the State Housing Authority are entirely self-sustaining – all state funding allocated is used for housing programs.**

### HDF INCOME SOURCES IN FY 2011:

Base Budget (General Fund)	\$ 4,070,000
Preservation Fund (Bond Bill)	4,500,000
Recorder of Deed Fees	940,160
Interest Income	891,861
Loan Repayments	3,293,359
Fund Transfers	<u>916,038</u>
	<b>\$14,611,418</b>

*In FY11, the Council recommended the funding of eighteen loans and grants for a total of \$14.6 million to organizations working in affordable rental housing, homeownership, housing counseling, homelessness services, and transitional housing. 855 units of affordable housing were created and/or preserved. An overview description of the FY11 Allocations is included in Exhibit 3.*

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## **Non-HDF Activities**

The Delaware State Council on Housing has expanded the way it views its role within the state. Going beyond recommending or approving Housing Development Fund loans and grants, council also engaged in the following activities:

1. Attended public hearings during the state budget process including the Budget Hearing, Joint Finance Committee Hearing, and Bond Bill Committee Hearing and provided testimony supporting increased funding for the Housing Development Fund.
2. Met with Governor Jack Markell to review FY2010 results and plans for FY2011.
3. Continued to work with DSHA staff on the implementation of the new HDF applications process. With input from developers, housing agencies and the community, the new application is open to applicants twice per year and allows the council and DSHA to better target resources where they are needed most and to better plan for future allocations.
4. Invited division directors from DSHA to make presentations during council meetings in an effort to become more informed about DSHA's operations and to better advise the Director and Governor.
5. Invited representatives from organizations including the Office of State Planning, the Delaware Housing Coalition, and the Diamond State Community Land Trust to speak about housing issues.
6. Individual members of the council attended housing workshops, conferences and ribbon cuttings, served on funding review panels, and participated in housing studies.



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## **Recommendations for Changes in Law/Policy/Funding**

Based upon research and studies including the statewide needs assessment, the Members of the Delaware State Council on Housing believe that there are five principal objectives which should guide Delaware's efforts to meet the housing needs of its citizens - namely:

1. Preserve and expand the stock of affordable rental housing in Delaware;
2. Increase access to homeownership for first-time homebuyers;
3. Help homeowners living in substandard housing;
4. Provide accessible, visitable, energy efficient and healthy homes; and
5. Implement ways to offer better housing solutions to extremely-low-income families.
6. Where practical, change the way housing services and programs are delivered so that they have a positive impact on communities and neighborhoods.

The Delaware State Council on Housing also believes that a higher legislative and funding priority should be given to housing. Specifically, we recommend that the Governor, General Assembly, the Director of DSHA, and other local and county officials act to:

1. Support the Housing Development Fund by maintaining or increasing the base budget and supplemental allocations from the bond bill as well as identifying one or more dedicated revenue sources; to provide long-term sustainable funding.
2. Secure and increase funding for the State Rental Assistance Program as a way to provide rental housing options to low income foster youths, reuniting families and people exiting Delaware's long term care institutions.
3. Increase the use of technology in order to offer better access to housing resources by accepting applications online, coordinating referral systems, and consolidating waiting list and selection processes.

4. **Preserve homeownership by (a) identifying and implementing necessary systemic changes to streamline home-repair programs, and (b) securing funding to provide homeowners with a more comprehensive and cohesive repair and weatherization program.**
5. **Increase the protections offered under the landlord-tenant and fair housing codes by creating a new protected class to end discrimination based on the source of income.**

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## **Exhibits**

### **Exhibit 1:**

Chapter 40 of the Delaware State Code, states that, "The Council shall issue an annual report to the Governor, the Housing Director and the General Assembly on its activities, as well as the housing needs of this State, key statistics and trends, HDF expenditures and any recommendations for changes in law, policy and/or funding related to housing."

### **Exhibit 2:**

The Delaware State Council on Housing relies on many studies of housing needs to inform its decisions but the most authoritative report is the Delaware State-wide Housing Needs Assessment 2008-2012 available at [www.destatehousing.com](http://www.destatehousing.com). The Overview from the Needs Assessment is included in this report as Appendix B.

**Exhibit 3:****Housing Development Fund FY 2011 Funding Detail:**

<b>FY 2011 Approved HDE LOANS / GRANTS</b>					
<b>Grant/Loan Recipient or Project</b>	<b>Owner Units</b>	<b>Rental Units</b>	<b>Council Presentation Date</b>	<b>Loan Amount</b>	<b>Grant Amount</b>
Brownstones at Christina Overlook	7	-	10/13/10		185,000
Milford Housing- Self-Help Program	10	-	10/13/10		40,000
NCALL	32	-	10/13/10		76,493
Homeless Planning Council	-	-	10/13/10		96,530
DE Federation of Housing Counselors	-	-	10/13/10		105,000
Interfaith - Edgemoor	6	-	10/13/10		142,295
Interfaith - Southbridge	7	-	10/13/10		\$227,500
RC&D	300	-	10/13/10		380,205
NCALL - Manufactured Housing Fund	-	-	10/13/10	\$375,000	
Greenside Manor Apartments	-	40	11/10/10	1,779,069	
Hampton Circle	-	35	11/10/10	2,750,000	
Bayard Plaza	-	48	1/12/11	2,644,135	
Canterbury Apartments	-	24	1/12/11	2,120,207	
B'nai B'rith	-	208	1/12/11	3,000,000	
Milford Housing - 4th Street Duplex	2	-	4/13/11		70,000
West End Neighborhood House	-	120	4/13/11		100,000
Diamond State CLT, Inc.	16	-	4/13/11		319,984
Housing Counseling for DSHA SMAL	-	-	6/8/11		200,000
<b>TOTAL</b>	<b>380</b>	<b>475</b>		<b>\$12,668,411</b>	<b>\$1,943,007</b>

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## **Appendix A: Enabling Legislation, Functions and Organization**

The Delaware State Council on Housing is authorized by the Delaware Code, found at Title 31, Chapter 40, Subchapter IV, §4040. Its principal duties are to study, research, plan and advise the Governor, Housing Director and General Assembly on housing matters and approve the allocation of loans and grants through the Housing Development Fund. The Delaware State Council on Housing consists of 11 members appointed by the Governor, and meets the second Wednesday of each month. The council's meeting minutes, agendas and bylaws are available at <http://www.destatehousing.com/council.shtml>.

According to state code, council membership must include 2 members from each county, 2 members that reside in the City of Wilmington and 3 members at large, 1 of which is a member of a tenant organization and there shall be no more than a bare majority representation of one major political party over the other major political party. The term of appointment to the council is 3 years. Members are eligible for reappointment.

### **The members of Council as of June 30, 2010 are (one vacancy exists):**

***Norma Zumsteg (Chair)***

***Ruth Sokolowski (Vice-Chair)***

***Anita Auten***

***Pat Batchelor***

***Russell Huxtable***

***Hugh Leahy***

***Connie Louder***

***Donna Mitchell***

***Ralph Peters***

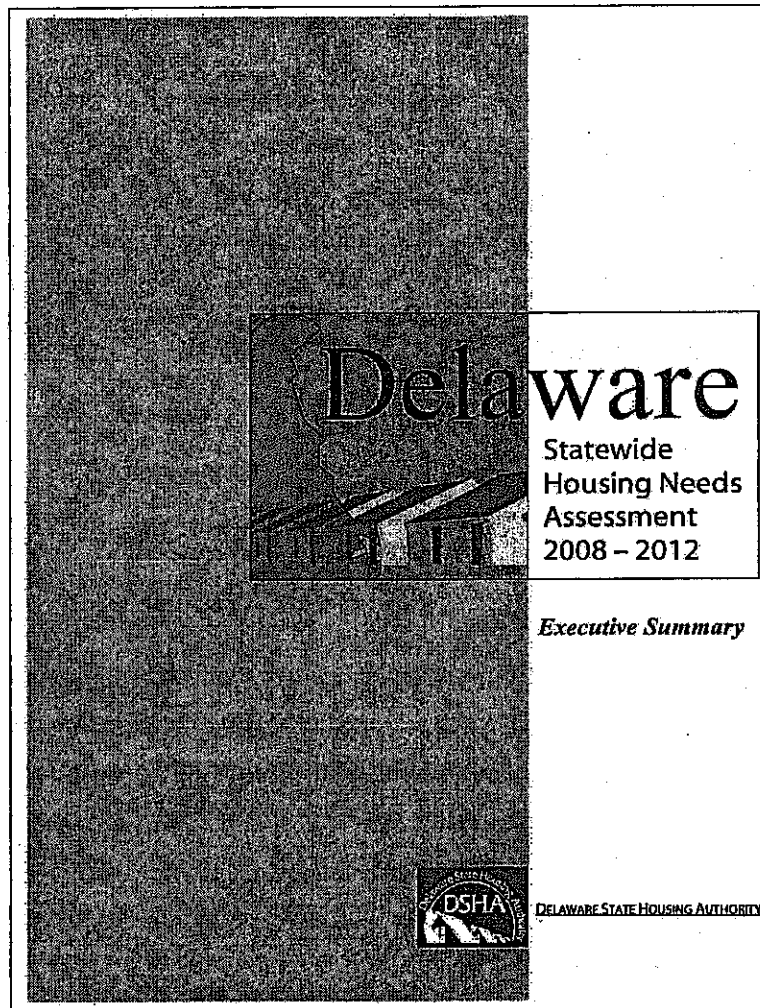
***Vincent White***

Four (4) standing committees – Loan Review, Communications, Operations, and Housing Policy - support the work of the council. The Loan Review committee reviews Housing Development Fund applications with DSHA staff prior to action by the full council and determines which applications are ready for full council consideration. The Operations committee oversees all governance, compliance, nominating and member services duties of council. The Communications committee prepares and disseminates communications to the Governor, Members of the General Assembly and the public. The Housing Policy Committee assists the council to review program policies concerning activities conducted by the Delaware State Housing Authority (DSHA) and to develop sound policy positions regarding affordable housing needs and initiatives in Delaware.

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## Appendix B: Delaware Housing Needs Assessment Overview

The following is a reproduction of the Overview taken from the Executive Summary of the Statewide Housing Needs Assessment 2008-2012 for the state of Delaware study conducted by the Delaware State Housing Authority. The excerpt is included here with the permission of the DSHA. The full report is available at [www.destatehousing.com](http://www.destatehousing.com).



## OVERVIEW

According to the U.S. Census Bureau's 2005 American Community Survey (ACS), Delaware's total population equaled 818,587 people. They made up 317,640 households, averaging 2.58 persons per household. The ACS also reported 374,872 housing units in the state, over 72 percent of which were owner-occupied. In terms of type of structure, over 70 percent of housing units were single-family homes.

1

**Delaware housing values have increased faster than inflation.**

*Between 1995 and 2006, median home prices in Delaware appreciated by 177 percent, the fastest rate in the nation.*

The Federal Housing Finance Board reports that, between 1995 and 2006, median home sale prices in Delaware appreciated by 177 percent, the fastest rate in the nation during that time period.\*

According to the Census Bureau, since 2000, the value of housing in

## HOUSING NEEDS ASSESSMENT

1. DE housing values have increased faster than inflation.
2. The DE housing market is providing more higher-priced units than "affordable" units.
3. The number of cost-burdened households in DE has increased significantly.
4. Many cost-burdened households are active members of DE's workforce. They are engaged in occupations critical to community stability. However, their salaries are not keeping pace with increasing housing costs.
5. Employment growth in DE is fastest among lower paying industry sectors.
6. Population growth in DE is occurring more slowly than household growth due to changing composition of households (e.g. deferred age of marriage, increased divorce rates, and longer life expectancy).
7. Household growth is expected to add over 20,000 households by 2012. Most household growth will occur at higher income levels.
8. Preserving existing affordable housing and meeting current demand among cost-burdened households is critical.
9. Persons who are homeless or at risk of homelessness and individuals with disabilities face diverse and critical housing needs. Often having extremely low incomes, this segment of the population faces major affordability and accessibility challenges.
10. Mortgage defaults, the deepening subprime loan crisis, and receding availability of credit will make homeownership more difficult for middle- and low-income households.
11. Assisted rental units facing possible conversion to market rates need to be preserved.
12. Public opposition to higher density residential development is a recurring barrier to the development of affordable housing. Good design, planning and increased public awareness are needed to overcome this barrier.

\* Federal Housing Finance Board, *Monthly Survey of Rates and Terms on Conventional Single-family Non-farm Mortgage Loans*, Periodic Summary Tables - Table 36: Median Price of Single-family Homes by State, Washington, D.C., 2007.

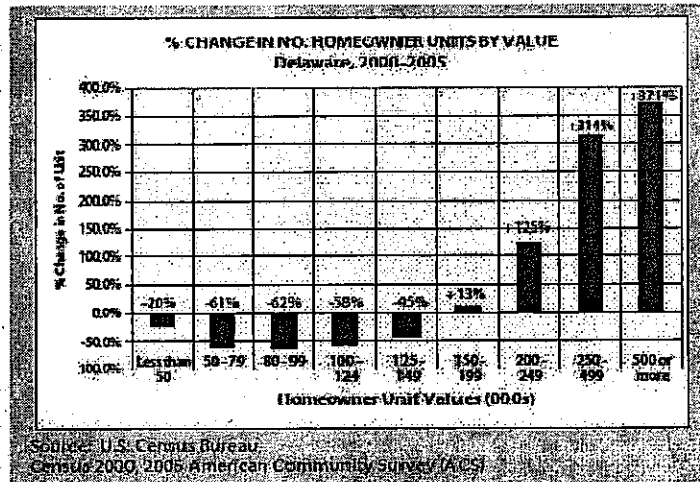
Delaware has increased faster than the rate of inflation. The 2005 ACS reports the median value of owner-occupied housing to be \$203,800, an increase of 67 percent since 2000 when the Census reported a median value of \$122,000. Based on the Consumer Price Index for the same period, had home values increased at the rate of inflation, the 2005 median would be \$138,366.

The 2005 ACS reports that median gross rent also increased significantly from 2000, but not as severely. The 2005 median rent was \$793 per month, an increase of 24 percent over the 2000 median of \$639 per month. Had gross rent increased at the rate of inflation, the 2005 median would be \$724. The increase in housing costs is presumed to be largely demand driven. For homebuyers, low mortgage interest rates, the availability of easy credit, and borrowing terms that favor little or no down-payment have made higher priced homes seemingly more accessible.

**2 The Delaware housing market is providing more high priced units than "affordable" units.**

*Home prices in all three counties are well over three times median household income, the common threshold of housing affordability.*

Since 2000, the supply of units valued under \$100,000 decreased from roughly 36 percent of total housing units to just 17 percent. Furthermore, units valued at \$500,000 or more increased from a 1.4 percent share to over 6 percent of the owner-occupied housing stock.



Meanwhile, based on 2006 median home sales, housing prices have risen well above a factor of three times median household income, the common threshold of housing affordability. In particular, Sussex County's price/income (P/I) ratio of 5.8 puts



it in the category of “severely unaffordable,” as defined by the housing affordability survey, *Demographia*. Kent County, with a P/I ratio of 4.7, falls into the “seriously unaffordable,” and New Castle County, at 3.9, is considered “moderately unaffordable.”

A similar phenomenon is unfolding within Delaware’s rental housing market. Since 2000, rental units with gross rent of less than \$500 per month decreased from nearly one-quarter of rental units to just 6 percent. Units with gross rent at or more than \$1,000 per month increased from about 9 percent to about 24 percent.

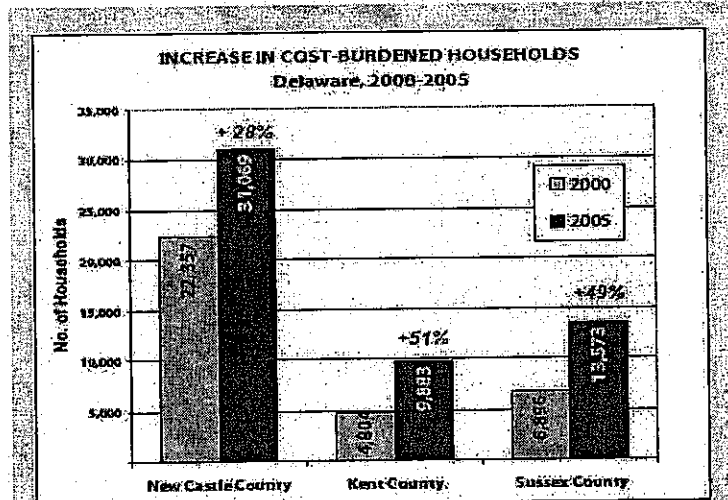
**3 The number of cost-burdened households in Delaware has increased significantly.**

*More than 18 percent of Delaware’s homeowners and 43 percent of Delaware’s renter households were cost-burdened in 2005, paying more than 30 percent of their income for housing.*

For property owners, increased value can mean a welcome return on investment. But just as median values have outpaced inflation, so too have they outpaced incomes. For many, the dramatic increase in housing costs poses real challenges for many Delaware households as they strive to purchase a home.

The 2005 ACS reports that statewide the median household income in Delaware in inflation

adjusted dollars is \$52,499, up less than 11 percent from \$47,381 in 2000. Not surprisingly, the number of households the 2005 ACS indicates are “cost-burdened”



Each of Delaware’s counties experienced significant increases in the number of cost-burdened households between 2000 and 2005.

Source: U.S. Census Bureau  
Census 2000, 2005 American Community Survey (ACS)

increased significantly from 2000. The phrase "cost-burdened" refers to a household that is paying housing costs in excess of one-third its monthly income.

The ACS reports that over 54,000 (more than 18 percent) of Delaware's nearly 230,000 homeowners were cost-burdened in 2005. Cost-burdened owner households increased by 60 percent from 2000 when they numbered just over 34,000. Meanwhile, over 37,000 (almost 43 percent) of Delaware's 88,000 renter households were cost burdened, up by 32 percent from 2000 when they numbered roughly 28,000.

**4 Many cost-burdened households are active members of Delaware's workforce but are earning salaries that are not keeping pace with housing costs.**

*A full-time childcare worker, preschool teacher, or retail salesperson earning their occupation's median wage cannot afford the fair market rent for a 1-bedroom apartment anywhere in Delaware.*

**WORKFORCE HOUSING EXAMPLE:**

Affordability Gap for a Dual Income Household to Afford the 2007 Median Home Price Per County

Emergency Medical Technician (EMT) & Preschool Teacher

New Castle County	\$60,778
Kent County	\$35,803
Sussex County	\$125,021

Source: DSHIA

Delaware's cost-burdened households include teachers, police officers, firefighters, health care workers, retail clerks, and administrative personnel. All of these workers are essential to the economic vitality of the state and the success of its corporations, institutions, and governmental services.

Typically, cost-burden correlates closely with the lowest income households, those earning below 80 percent of their area median family income (MFI). In fact, over two-thirds of Delaware's cost-burdened homeowners and over 90 percent of Delaware's cost-burdened renters have annual incomes at or below 80 percent of MFI. Households below this threshold are eligible for federal government housing assistance, yet, often, the demand for such assistance exceeds available funding.

Just like those below the 80 percent threshold, however, there are many working families earning above 80 percent of MFI who are unable to find affordable housing where they work and where they want to send their children to school. In order to

include these households in the discussion of affordable housing, the phrase “workforce housing” includes households with incomes up to 120 percent of median.

Based on the 2005 ACS median household income of \$52,499, there are about 180,000 Delaware households that fit this profile -- or roughly 60 percent of all the state's households. A household earning \$62,999 can afford units up to nearly \$189,000. About 45 percent of all owner-occupied units are valued below \$189,000. Obviously, the problem is more acute for those lower on the income scale for whom the gap between their earnings and the cost of housing can be much wider.

**5 Employment growth in Delaware is fastest among lower paying industry sectors.**

*Two of the top three industries projected to create the most new jobs in Delaware from 2004-2014 had 2006 average annual wages of less than \$26,000.*

Along with the cost of building housing, job growth and wage growth are primary economic variables impacting housing affordability. The Delaware Department of Labor Office of Occupational and Labor Market Information (OOLMI) is projecting total employment in Delaware to increase by 58,100 jobs from 2004 to 2014, which is equivalent to an average annual growth rate of 1.2 percent. This is a slowing of job growth from the previous 10-year period (1994-2004), when 60,970 jobs were added at an annual growth rate of 1.5 percent.

OOLMI's industry employment projections indicate continued rapid growth in lower average wage industries. The manufacturing sector is projected to continue its long decline, which translates to the loss of relatively high paying jobs that do not require advanced education. The manufacturing sector's average wage of \$54,107 ranked it 6th highest paying in 2006. Meanwhile, the top three growth sectors include health care and social assistance (projected to grow the fastest in terms of number of jobs and on a percentage basis), retail trade (with an average

**DELAWARE'S LOWER PAYING JOBS WILL BE INCREASING AT HIGHER RATES.**

**\$15,559**  
AVERAGE ANNUAL PAY  
IN SUSSEX COUNTY  
FOR JOBS IN FAST  
GROWING  
"ACCOMMODATIONS  
AND FOOD SERVICES"  
SECTOR.

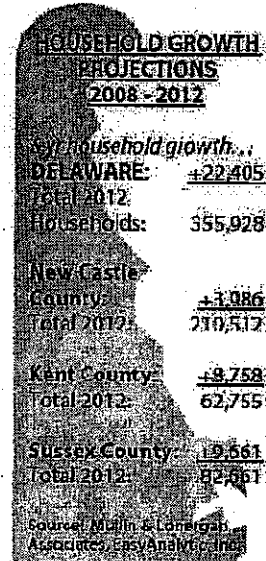
Source: OOLMI Quarterly  
Census of Employment &  
Wages

**7 Household growth is expected to add over 20,000 households by 2012. Most household growth will occur at higher income levels.**

*Sussex and Kent Counties will both experience growth in number of households over twice that of New Castle County.*

In its scope, this *Housing Needs Assessment* considers the five-year period from 2008 through 2012, and, more specifically, how the growth of households within that time period will impact demand for affordable housing. Overall, the research conducted in conjunction with this study projects a total of 22,405 new households in the state by 2012. Kent and Sussex Counties will add the most households, growing by 8,758 and 9,661 households respectively. Both counties will add households at more than two-times the number added in New Castle County, which is projected to add 3,986 households.

The *Housing Needs Assessment* conducted in 2002 projected a growth in statewide households of close to 28,000 by 2007. Sussex County was projected to lead growth, adding nearly 13,000 households, followed by New Castle at close to 11,000, and Kent at just under 4,000. The projections for 2012 indicate a slowing in new household formation statewide, but an increase at the county level for Kent and Sussex.



Every household needs a place to live. While the projected twenty-two thousand new households forming by 2012 exceed the 2005 count of available vacant units (less than fifteen thousand according to the 2005 ACS), housing production has been adding, on average, over eight thousand more units per year. Obviously, if the market were able to provide units of the right type, price, and location to meet the demand of all income groups and all household types, Delaware's housing needs would be satisfied.

To better anticipate the match (or mismatch) between what the housing market is supplying and what households will need, the household projections produced for the

*Housing Needs Assessment* consider projected age and incomes of new households entering the market between 2008 and 2012.

Among new households forming over the next five years in Delaware, the largest group is expected to comprise householders age 35 to 44. This age group includes the first wave of the "Echo Boom" generation (children of the Post-War "Baby Boom" generation who were born between 1977 and 1994). Statistically, this age group represents move-up buyers moving from their first home to a larger, more expensive unit.

The latter segment of the Echo Boom cohort will be represented by householders age 25 to 34. This group represents potential first-time homebuyers and will be the third largest segment of all new households by 2012. They will fall behind the Baby Boomers (55 to 64 year old householder group), the second largest among new households formed by 2012. This age group consists of move-up buyers, including some who move to age restricted retirement communities. Householders at this stage in life will undertake home renovation as they fix up homes they have owned for a long time, often using the equity that has accumulated in their property.

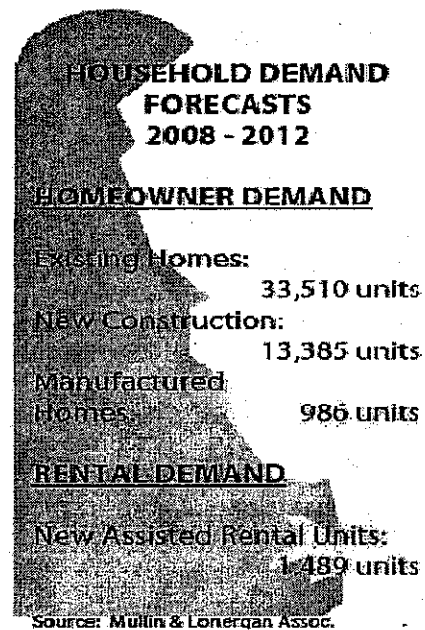
The age profile of future households can be derived through fairly straightforward mathematics. However, the income potential of future households is more difficult to predict. The demographic projections produced for the *Needs Assessment* indicate a net decline in households below the 2005 median income of (\$52,499). This is attributable to numerous factors, not the least of which is the natural upward movement of median income.

**8 Preserving existing affordable housing and meeting current demand among cost-burdened households is critical.**

*Forecasts for future demand need to take into consideration existing households needing more affordable units, not just new household formation. Approximately 25,000 existing Delaware renter households are "at risk." These households have extremely low incomes, pay more than 30 percent of their income towards housing costs and/or are those on assisted housing waiting lists. There is a need for at least 1,489 new affordable rental units, the majority of which are needed for households with extremely low incomes.*

The *Housing Needs Assessment* projections should not be interpreted as a diminished need for affordable housing (rental and for-sale), both in terms of new units and services to aid lower-income households. The projections simply indicate that there will be slower growth in the number of Delaware's lower-income households.

The projected new household demand for homeownership (47,881 units) and assisted rental housing (1,489 units) is based upon the new household growth numbers referenced earlier. Therefore, new demand is also projected to be less between 2008 - 2012 than it was in the previous five year period.



However, a decrease in new household growth/demand, does not negate the fact that substantial demand remains within the existing market for affordable single family and multifamily dwellings.

For example, while there is minimal new renter demand projected in the Renter Needs section of this Assessment, there are nearly 25,000 existing "at risk" renter households (those with very low incomes, paying more than 30 percent of their income towards housing costs, and/or on assisted housing waiting) and an estimated 6,863 "at

**24,901 AT-RISK RENTER HOUSEHOLDS**

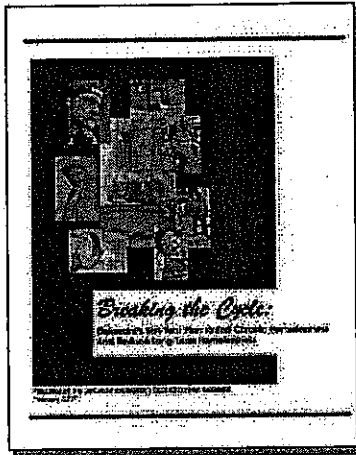
NEW CASTLE COUNTY	7,558
Wilmington*	6,283
Newark	2,022
KENT COUNTY	2,868
Dover	2,549
SUSSEX COUNTY	3,398
Georgetown*	223

\*City totals not included in county totals.  
Source: CHAS Data 2000, Mullin & Loneragan Assoc.

risk" assisted rental units (those facing expiring subsidy contracts or in need of substantial rehabilitation – see point 11 further below).

At-risk renter households represent unmet rental housing need in the state. The existing at-risk households and aging housing stock indicates need for (1) deep rental subsidies for households who are being priced out of their rental units and (2) expanded efforts to avoid the potential loss of existing affordable units via expiring subsidies and/or disrepair.

**9 Persons who are homeless or at risk of homelessness and individuals with disabilities face diverse and critical housing needs. Often having extremely low incomes, these individuals face major affordability and accessibility challenges.**



*There is a need for 648 new supportive housing units and 1,000 rental subsidies to meet the housing needs of Delawareans who are chronically homeless or at risk of chronic homelessness. An individual with a disability who must rely on SSI as a main source of income cannot afford a 1-bedroom apartment anywhere in the state.*

On any given night, approximately 1,800 individuals are homeless in Delaware (Homeless Planning Council of Delaware, 2006 Point-in-Time Study). Using these and other data, the Delaware

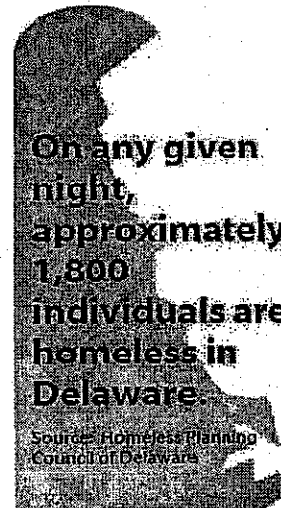
Intergovernmental Council on Homelessness identified a need for 648 new supportive housing units and 1,000 rental subsidies in order to adequately house the approximately 2,000 people who are chronically homeless or at risk of chronic homelessness in Delaware.

The creation of these new supportive housing units and rental subsidies is the core recommendation of *Breaking the Cycle: Delaware's Ten-Year Plan to End Chronic Homelessness*. Special populations within this group include youth aging out of foster care, individuals with mental health and substance abuse disorders, and ex-offenders re-entering the community.

According to the American Community Survey, in 2005 12 percent of Delawareans had some form of disability. The ACS reported 25.84 percent (11,781) of the individuals age 20-64 with incomes below the poverty level in Delaware in 2005 had a disability. In 2006, 8,118 non-elderly adults with disabilities were receiving Supplemental Security Income (SSI) in Delaware, which provides only \$603 in monthly income.

The lack of affordable, accessible housing is a major barrier to efforts to transition individuals with disabilities from institutional settings to integrated housing of their choice in the community. The Governor's Commission on Community-based Alternatives for Individuals with Disabilities, whose mission is to develop a comprehensive administrative and legislative plan for a diversified, individualized, cost-effective service and support system that will enable individuals with disabilities to live and work in the most integrated setting of their choice, has identified ensuring a sufficient number of safe, affordable, integrated and accessible housing options for individuals with disabilities as the first goal in its 2008-2012 strategic plan.

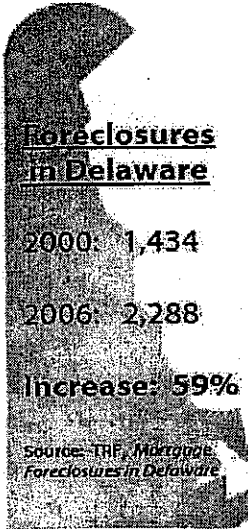
The housing needs of the homeless, persons at risk for homelessness, and individuals with disabilities are closely tied to the overall challenges of extremely-low-income households. These households are Delaware's most poor and most vulnerable to housing crises, homelessness, and cost-burden. Many are currently housed, but in substandard, overcrowded and precarious conditions – and the cost for even these housing conditions likely still leaves them cost-burdened. Rental subsidies, in the form of deeply subsidized units or rental vouchers, are an absolute necessity to make housing affordable for households with extremely low incomes.





**10 Mortgage defaults, the deepening subprime loan crisis, and receding credit availability will make homeownership more difficult for middle- and low income households.**

*From 2008-2012, 6,333 first-time and affordable home buyers are projected to be in the market to purchase homes. Approximately 15 percent of new construction homes will need to be affordable to these buyers.*



Given the earlier discussion of housing values exceeding affordability standards relative to median income and a rapidly increased rate of cost-burdened households, the challenges of attaining and maintaining homeownership are significant. Rising interest, foreclosure, and delinquency rates adversely impact mortgage markets and, in turn, the ability of lower and middle-income homebuyers to purchase a home.

Even though the rates of prime and subprime mortgage foreclosures in Delaware rank the state in the middle among other states, recent analysis conducted by The Reinvestment Fund (TRF) of Philadelphia shows an uptick in foreclosures over the past ten months. In many cases, households who borrowed on adjustable terms are finding themselves financially challenged by increasing payments when their interest rates reset. And of course, there are other households who are the victims of predatory lending, whether they borrowed to purchase a home or borrowed against their equity to finance home improvements or other investments.

Physical maintenance of a home is a costly part of a household budget, and one that, for many homeowners, is deferred in order to afford other expenses. One of the findings of the *Housing Needs Assessment* is that a steady increase in substandard owner-occupied housing units has occurred since field studies on the quality of the housing stock were conducted for the 2003 Assessment. The rapid reduction in federal funding (primarily due to cutbacks in long-standing housing assistance to states and localities) has removed or diminished an important source of financial support for low-income homeowners seeking to make repairs.

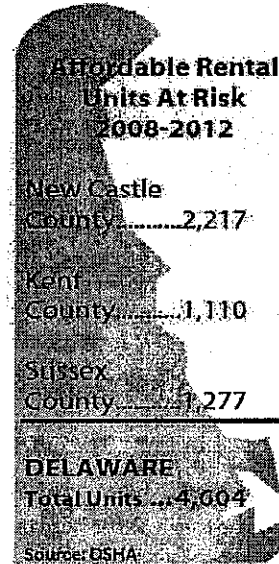
**11 Assisted rental units facing possible conversion to market rates need to be preserved.**

*4,604 assisted rental housing units face expiring subsidy contracts and/or use restrictions from 2008-2012. An additional 2,259 units are estimated to be in need of substantial rehabilitation. Combined, these 6,863 units are 50 percent of Delaware's assisted housing stock.*

In Delaware, there are approximately 4,604 assisted rental units that will be faced with expiring rent subsidies and/or use restrictions through 2012. Preservation of existing assisted rental housing has been recognized as a national problem as older affordable housing units begin to reach contract expiration or the end of their restricted use period. In fact, most states have included a set-aside of Federal Low-income Housing Tax Credits within their Qualified Allocation Plan (QAP) to specifically address the preservation of existing affordable housing stock.

Owners of aging affordable rental housing developments with expiring use restrictions/subsidies are being faced with decisions regarding the future use of their property. Potential loss of existing rent subsidies, conversion to market rate housing in gentrified areas, and/or deterioration of older unmarketable units, are just a few of the concerns that owners need to address.

In Delaware, there are approximately 4,604 units through 2012 that will be faced with expiring rent subsidies and/or use restrictions. 1,772 of these and an additional 2,259 units are estimated to be in need of substantial repair. The disposition of these units will likely fall into three major categories, including conversion to market-rate, need for investment in moderate to substantial rehabilitation, or opt to maintain the status quo.



With the large number of affordable units expiring by 2012, it is critical that Delaware make preservation a top priority and invest resources accordingly.<sup>†</sup>

**12 Public opposition to higher density residential development is a recurring barrier to the development of affordable housing.**

*Backlash against new development can have the unfortunate consequence of stifling even well-designed, mixed-income, mixed-use and environmentally responsible projects. This is often exacerbated by persistent Not-in-My-Backyard (NIMBY) attitudes about affordable and moderately-priced housing.*

Delaware faces challenges in the development of additional affordable housing. Construction costs and land costs have increased, making development subsidies all the more necessary to hold sale prices at levels affordable to low-income and workforce households. Meanwhile, competition for funding sources to provide those subsidies is increasing as well. Seed money needed to cover the cost of pre-development expenses is particularly hard to find for developers of affordable housing.

For those seeking to develop rental housing in Kent and Sussex County, because the relatively low median income hinders the financial viability of income-producing properties, deep development and rental subsidies are required. Although development and operating costs are similar in all three counties in Delaware, there is a disparity in the amount of income to be derived from rents, thus resulting in less viable projects.

Beyond these economic barriers, Delaware has also seen community barriers to affordable housing. If the state is going to succeed in promoting affordable housing in healthy communities (which include those where residential options are located in close proximity to jobs, schools, parks, and shopping) ongoing public education about the real benefits of higher density neighborhoods needs to occur.

<sup>†</sup> For the context of this *Housing Needs Assessment*, "preservation" is defined as assisted rental housing units receiving project-based rental subsidies that are within two years of any permitted prepayment or subsidy contract expiration with a likely conversion to market-rate housing or equivalent loss of low-income use restrictions.

Too often, developers seeking to provide quality, affordable housing are turned away at the local level by community opposition grown in fear of decreased property values and lost quality of life. In reality, research has shown that well-designed, well-built housing that is accessible to households of all incomes serves to better communities. As is articulated in the *Livable Delaware* initiative, improving housing choice throughout Delaware is a sound investment of time, energy, and resources.

