Who Can Afford to Live in Delaware?

Annual Report on Housing Affordability in Delaware

Affordability Gap:

New Castle County:
Homeowners: -$68,474
Tenants: -$608/month

Kent County:
Homeowners: -$82,663
Tenants: -$480/month

Sussex County:
Homeowners: -$212,074
Tenants: -$548/month

“How much do you need to earn to afford rent and utilities on a modest two-bedroom apartment?” *

The 2016 National Housing Wage is $20.30/hr
Delaware’s Housing Wage is $21.70/hr

*at fair market rent
Letter from the Executive Director

“The Out of Reach data reflect a grim reality across the nation. There is no place in the United States where a minimum wage worker can afford a two-bedroom apartment,” said Diane Yentel, President and CEO of the National Low Income Housing Coalition upon release of the Out of Reach data in May. “We as a nation must respond by investing in affordable housing for the lowest income households in America. The new national Housing Trust Fund is one solution, but it will require many more resources to address the need.”

Delaware is the 12th most costly rental market in the U.S. with a housing wage of $21.70. Therefore, if a housing choice voucher (formerly known as Section 8) or subsidized unit is not available, many are forced to spend more than 50% of their household income on housing and skimp on other necessities - such as food and healthcare – or to live in units that are inadequate or dangerous. And in fact, Delaware’s waiting lists for vouchers are either closed or encompass several thousand persons. Families faced with these realities are often unstably housed and unable to save for emergencies, and so are at risk of becoming homeless if a crisis occurs and they are forced to skip a rent payment. The financial and psychological stress endured by these households adds to their overall burden. Society has failed these households.

The demand for rental housing is at its highest level since the 1960s. In the past decade, the U.S. has added nine million renter households, but only 8.2 million rental housing units. Vacancy rates are at their lowest levels since 1985 and rents have risen at an annual rate of 3.5%, the fastest pace in three decades. The nation’s 10.4 million extremely low income (ELI) renter households currently face a shortage of 7.2 million affordable and available rental units; in Delaware, there are only 32 affordable and available units for every 100 ELI renter households.

Wage stagnation and income inequality contribute to the gap between what people earn and the cost of their housing. From 2007 to 2015, the bottom 10% of wage earners saw a 0.2% increase in real hourly wages, while the top 5% saw an 8.7% increase, continuing a long-term trend of growing income equality.

Homeownership has been the traditional route to housing stability and wealth accumulation in the U.S. but is becoming more difficult to achieve for low and moderate income households, because of tighter credit and underwriting regulations and soaring costs. In Delaware, the gap between what is affordable and what is available is widening, most astonishingly in Sussex County where that gap is now -$212,074. The irony is that a mortgage payment may well be a lot more affordable to low and moderate income households than renting in a tight and expensive market.

The answers are not simple or cheap. However, inadequate or indeed, no housing for the up to 8,300 Delaware households who face homelessness each year, leads to expensive and unwanted outcomes in our society. Therefore, more investment is needed in housing choice vouchers, affordable rental housing, permanent supportive housing for special populations and the chronically homeless, and in making homeownership viable for low and moderate income Delawareans.

Trish Kelleher, DHC

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Summary

Housing Burden Among the Very Poor
- Of the 103,775 renter households in Delaware, 25,521 – or 25% - are severely cost- burdened spending more than 50% of their income on housing.
- There is an estimated 18,322 sub-standard units, 12,788 owner occupied and 5,534 occupied by renters.
- There are 24,290 extremely low-income renter households, that is, at or below 30% of Area Median Income (AMI), and 77% of those households are severely cost-burdened.
- For every 100 extremely low-income households (at or below 30% of AMI), there are only 32 units of affordable housing available.
- There is an immediate need for 16,820 affordable housing units to fill the state deficit for extremely low income Delaware households.
- Approximately 8,300 households experience homelessness in Delaware each year.

Special Housing Needs
- Delaware is one of 17 states where the average one-bedroom rent is higher than monthly SSI payments.
- We are one of only 4 states where the one-bedroom rent exceeds 100% of SSI in every part of the state.
- In 2015, in Delaware, a person with a disability received SSI benefits equal to $721 per month. Statewide, this income was equal to 17.0% of the area median income.
- On average a person with a disability receiving SSI pays 106% of their monthly income to rent an efficiency unit and 123% of their monthly income for a one-bedroom unit.

Renters
- Of the 50 states, Delaware has the 12th highest two bedroom housing wage at $21.70.
- The Fair Market Rent for a two bedroom apartment ranges from a low of $952 in Kent County, to $1,012 in Sussex to a high of $1,210 in New Castle County. The rental gap in Sussex County has increased by $199 in only two years, a much higher pace than either of the other two counties.
- In all three counties, monthly two bedroom fair market rents far exceed – by a range of $488 to $548 – rents affordable to a four person extremely low income household.
- In Delaware, the average hourly wage earned by renters is $16.03, which is $5.67 less than the hourly wage needed to afford a typical two bedroom unit.
- A Delaware earner must earn $21.70 per hour, or $45,138 annually, to afford a typical two bedroom apartment. In New Castle County the hourly wage needed is $23.27, in Sussex County it is $19.46.

Homeownership
- In the final quarter of 2015, the median purchase price for a house in Delaware ranged from $194,100 in Kent County, to $215,000 in New Castle County and $316,260 in Sussex County.
- Foreclosure filings fell from 2,856 in 2014 to 2,200 in 2015. However, filings at the end of April 2016 totaled 1,146, a number that causes concern for the rest of the year.
- There were 1,334 sheriff sales in 2015, but the trend is again worrying for 2016 as 645 had taken place by the end of April.
- Continuing tight credit guidelines and high sales prices prove challenging for aspiring first time homebuyers.

Wages, Income, and Wealth
- The poverty level income for a one person household in Delaware is $11,770. For a family of four, it is $24,250.
- There are 107,101 households at or below the poverty level, that is 12% of the population, and 35,052 (17%) children under the age of 18 are living in poverty.
- The average income of the top 1% is 16.2 times that the bottom 99%.
- Although recent adjustments have raised the minimum wage in Delaware to $8.25, it remains far below the housing wage of $21.70.
- Of the 28% of Delaware households that are renters, 23% are extremely low income earning less than 30% of AMI.
- Declining upward mobility and growing political and economic inequality perpetuate harmful social conditions that undermine civil society and thwart the missions of charitable and philanthropic organizations.

For an online glossary of terms, go to www.whynimby.org.
**AFFORDABLE HOUSING:**
**THE 30% RULE OF THUMB**

The 30 percent “rule of thumb” represents an evolution of empirical norms and public policy dating from the era of the Great Depression. During that period, “one week’s pay for one month’s rent” was the norm and was accepted. This formula was subsequently incorporated into public policy which both identified housing need and eventually, was used as a Housing Cost to Income Ratio (HCIR). We use the 30% rule here for simplicity and in order to compare to other research including the previous editions of *Who Can Afford to Live in Delaware?*

### Delaware Homeowners

<table>
<thead>
<tr>
<th></th>
<th>Kent</th>
<th>New Castle</th>
<th>Sussex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Home Price</td>
<td>$194,100</td>
<td>$215,000</td>
<td>$316,260</td>
</tr>
<tr>
<td>Affordable Price (low income, 50% AMI)</td>
<td>$111,437</td>
<td>$146,526</td>
<td>$104,186</td>
</tr>
<tr>
<td>Gap between Median and Affordable Prices</td>
<td>–$82,663</td>
<td>–$68,474</td>
<td>–$212,074</td>
</tr>
</tbody>
</table>

### Delaware Tenants

<table>
<thead>
<tr>
<th></th>
<th>Kent</th>
<th>New Castle</th>
<th>Sussex</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-Bedroom Rent (Fair Market)</td>
<td>$952</td>
<td>$1,210</td>
<td>$1,012</td>
</tr>
<tr>
<td>Minimum Wage Hours of Work Required per Week</td>
<td>89</td>
<td>113</td>
<td>94</td>
</tr>
<tr>
<td>Affordable Monthly Rent (low-income, 30% AMI)</td>
<td>$472</td>
<td>$602</td>
<td>$464</td>
</tr>
<tr>
<td>Gap between Fair Market and Affordable Rents</td>
<td>– $480</td>
<td>– $608</td>
<td>– $548</td>
</tr>
</tbody>
</table>

**About Statistics:**

HOMEOWNERS: Delaware State Housing Authority, U.S. Dept. of Housing and Urban Development. Affordability is calculated for a household with an income of 50% of Area Median Income with a mortgage at 3.75% for 30 years, 33%-38% debt-to-income ratio, and $200/month for taxes and insurance and “other debt” of 12%.

TENANTS: Out of Reach 2016, National Low Income Housing Coalition. Minimum wage in Delaware is $8.25. An extremely low income household has an income at or below 30% of the Area Median Income.

Source: Out of Reach, 2016, NLIHC.org
### New Castle County

- **Average Renter Wage**: $17.36
- **2-Bedroom Housing Wage**: $23.27
- **Number of Renter Households**: 61,784
- **Hours at Minimum Wage Needed for 2-BR FMR**: 113
- **Number of Jobs Needed at Minimum Wage**: 2.8

### Kent County

- **Average Renter Wage**: $15.78
- **2-Bedroom Housing Wage**: $18.31
- **Number of Renter Households**: 17,205
- **Hours at Minimum Wage Needed for 2-BR FMR**: 89
- **Number of Jobs Needed at Minimum Wage**: 2.2

### Sussex County

- **Average Renter Wage**: $10.92
- **2-Bedroom Housing Wage**: $19.46
- **Number of Renter Households**: 17,197
- **Hours at Minimum Wage Needed for 2-BR FMR**: 94
- **Number of Jobs Needed at Minimum Wage**: 2.4

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**Rent Vs. Income, by County**

<table>
<thead>
<tr>
<th>County</th>
<th>Two-bedroom FMR</th>
<th>Rent affordable at median income</th>
<th>Rent affordable with full-time job paying mean renter wage</th>
<th>Rent affordable at 30% of AMI</th>
<th>Rent affordable with full-time job paying min wage</th>
<th>Rent affordable to SSI recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Castle</td>
<td>$1,210</td>
<td>$1,573</td>
<td>$952</td>
<td>$472</td>
<td>$429</td>
<td>$220</td>
</tr>
<tr>
<td>Kent County</td>
<td>$2,008</td>
<td>$1,545</td>
<td>$903</td>
<td>$602</td>
<td>$429</td>
<td>$220</td>
</tr>
<tr>
<td>Sussex County</td>
<td>$1,012</td>
<td>$1,545</td>
<td>$568</td>
<td>$464</td>
<td>$429</td>
<td>$220</td>
</tr>
</tbody>
</table>
In Delaware, the Fair Market Rent (FMR) for a two-bedroom apartment is $1,128. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn $3,761.50 monthly or $45,138 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly Housing Wage of:

$21.70 per hour
### Housing Cost Burden by Income Group

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Total Renter Households</th>
<th>Severely Burdened Households*</th>
<th>% with Severe Burden</th>
<th>Affordable and Available Rental Units per 100</th>
<th>Surplus (Deficit) of Affordable &amp; Available Rental Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income at or below 30% of AMI**</td>
<td>24,290</td>
<td>18,858</td>
<td>78%</td>
<td>32</td>
<td>-16,623</td>
</tr>
<tr>
<td>Income between 31% and 50% of AMI</td>
<td>15,380</td>
<td>4,432</td>
<td>29%</td>
<td>58</td>
<td>-16,820</td>
</tr>
<tr>
<td>Income between 51% and 80% of AMI</td>
<td>20,484</td>
<td>1,714</td>
<td>8%</td>
<td>102</td>
<td>1,119</td>
</tr>
<tr>
<td>All Renter Households</td>
<td>103,775</td>
<td>25,521</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: NLIHC tabulations of 2013 American Community Survey (ACS) Public Use Microdata Sample (PUMS)

### Rental Affordability by County

<table>
<thead>
<tr>
<th>County</th>
<th>Total Renters</th>
<th>AMI</th>
<th>30% of AMI</th>
<th>Rent Affordable at 30% of AMI</th>
<th>1 BR FMR Rent Housing Wage</th>
<th>2 BR FMR Rent Housing Wage</th>
<th>Hrs at MW for 2 BR</th>
<th>Avg. Renter Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW CASTLE</td>
<td>61,784</td>
<td>$80,300</td>
<td>$24,090</td>
<td>$602</td>
<td>$1,003</td>
<td>$19.29</td>
<td>$1,210</td>
<td>$23.27</td>
</tr>
<tr>
<td>KENT</td>
<td>17,205</td>
<td>$62,900</td>
<td>$18,870</td>
<td>$472</td>
<td>$823</td>
<td>$15.83</td>
<td>$952</td>
<td>$18.31</td>
</tr>
<tr>
<td>SUSSEX</td>
<td>17,197</td>
<td>$61,800</td>
<td>$18,540</td>
<td>$464</td>
<td>$756</td>
<td>$14.54</td>
<td>$1,012</td>
<td>$19.46</td>
</tr>
</tbody>
</table>

Source: Out of Reach 2016

* Severely Burdened: Households spending more than 50% of income on housing costs, including utilities.
** AMI: Area Median Income
Many Delaware renters are extremely low income and face a housing cost burden. Across the state, there is a deficit of rental units both affordable and available to extremely low income (ELI) renter households, i.e. those with incomes at 30% or less of the area median income (AMI).

### Housing Cost Burden by Income Group
Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are considered severely cost burdened.

<table>
<thead>
<tr>
<th>Income Threshold</th>
<th>Cost Burdened</th>
<th>Severely Cost Burdened</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deeply Low (0-15% of AMI)</td>
<td>95%</td>
<td>90%</td>
</tr>
<tr>
<td>Extremely Low (0-30% of AMI)</td>
<td>86%</td>
<td>79%</td>
</tr>
<tr>
<td>Very Low (31-50% of AMI)</td>
<td>88%</td>
<td>30%</td>
</tr>
<tr>
<td>Low Income (51-80% of AMI)</td>
<td>44%</td>
<td>4%</td>
</tr>
<tr>
<td>Not Low Income (81%+ of AMI)</td>
<td>12%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Housing Shortage by Income Threshold
The lower the income threshold, the greater the shortage of affordable and available units per 100 renter households.

- **0 - 80% of AMI**: 109 units
- **0 - 50% of AMI**: 53 units
- **0 - 30% of AMI**: 34 units
- **0 - 15% of AMI**: 21 units

Source: Out of Reach, 2016, NLIHC.org
### Housing Affordability and Delawareans with a Disability (SSI)

<table>
<thead>
<tr>
<th>Year</th>
<th>Non Elderly Adults with Disabilities Receiving SSI Benefits</th>
<th>Percent of SSI Needed to Rent a 1-BR Housing Unit</th>
<th>Percent of SSI Needed to Rent an Efficiency Housing Unit</th>
<th>SSI as a Percentage of One Person Median Income</th>
<th>SSI as an Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>8,555</td>
<td>122.3%</td>
<td>108.6%</td>
<td>16.6%</td>
<td>$3.68</td>
</tr>
<tr>
<td>2010</td>
<td>9,253</td>
<td>123%</td>
<td>109%</td>
<td>16.6%</td>
<td>$3.89</td>
</tr>
<tr>
<td>2012</td>
<td>10,205</td>
<td>124%</td>
<td>107%</td>
<td>16.6%</td>
<td>$4.02</td>
</tr>
<tr>
<td>2014</td>
<td>10,372</td>
<td>123%</td>
<td>106%</td>
<td>17.0%</td>
<td>$4.15</td>
</tr>
</tbody>
</table>


### Comparison of Minimum Wage with Efficiency and One-Bedroom Housing Wages

<table>
<thead>
<tr>
<th>County</th>
<th>Minimum Wage</th>
<th>0-Bedroom Housing Wage</th>
<th>Difference</th>
<th>1-Bedroom Housing Wage</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kent</td>
<td>$8.25</td>
<td>$13.13</td>
<td>($4.88)</td>
<td>$15.83</td>
<td>($7.58)</td>
</tr>
<tr>
<td>New Castle</td>
<td>$8.25</td>
<td>$15.96</td>
<td>($7.71)</td>
<td>$19.29</td>
<td>($11.04)</td>
</tr>
<tr>
<td>Sussex</td>
<td>$8.25</td>
<td>$13.52</td>
<td>($5.27)</td>
<td>$14.54</td>
<td>($6.29)</td>
</tr>
</tbody>
</table>

Source: Out of Reach 2016, nlihc.org

### Monthly Rent Affordable to Selected Delaware Households by Income Level Compared with Two-Bedroom FMR (= $1,128)

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Rent</th>
<th>Can Afford</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Income Delaware Family</td>
<td>$1,128</td>
<td>$1,825</td>
<td>($908)</td>
</tr>
<tr>
<td>Mean Renter Wage Earner</td>
<td>$1,128</td>
<td>$834</td>
<td>($294)</td>
</tr>
<tr>
<td>Extremely Low Income Household (4-person)</td>
<td>$1,128</td>
<td>$547</td>
<td>($581)</td>
</tr>
<tr>
<td>Minimum Wage Earner</td>
<td>$1,128</td>
<td>$429</td>
<td>($699)</td>
</tr>
<tr>
<td>SSI Recipient</td>
<td>$1,128</td>
<td>$220</td>
<td>($908)</td>
</tr>
</tbody>
</table>


(Note: 2014 is most recent year available)
Delaware is one of 17 states where the average one-bedroom rent is higher than monthly SSI payments. We are one of only 4 states where the one-bedroom rent exceeds 100% of SSI in every part of the state.

### Delaware SSI Payments and Housing Costs

In 2015, in Delaware, a person with a disability received SSI benefits equal to $733 per month. Statewide, this income was equal to 12% of the area median income. On average a person with a disability receiving SSI would have to pay 107% of their monthly income to rent an efficiency unit and 126% of their monthly income for a one-bedroom unit.

<table>
<thead>
<tr>
<th></th>
<th>SSI Monthly Income</th>
<th>SSI as % of AMI</th>
<th>% SSI Needed for a 1-BR</th>
<th>% SSI Needed for Efficiency Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kent</td>
<td>$733</td>
<td>14%</td>
<td>112%</td>
<td>93%</td>
</tr>
<tr>
<td>New Castle</td>
<td>$733</td>
<td>11%</td>
<td>137%</td>
<td>113%</td>
</tr>
<tr>
<td>Sussex</td>
<td>$733</td>
<td>14%</td>
<td>103%</td>
<td>96%</td>
</tr>
<tr>
<td>Statewide</td>
<td>$733</td>
<td>12%</td>
<td>126%</td>
<td>107%</td>
</tr>
</tbody>
</table>

**Homelessness and Disability**

“Because of their limited incomes and the high cost of housing, many people with disabilities have become chronically homeless.”

**Olmstead and the Need for Permanent Supportive Housing**

“Public entities such as state and local governments have a legal obligation to serve people with disabilities in the most integrated setting possible. On June 22, 1999, the U.S. Supreme Court issued its decision in Olmstead v. LC, a lawsuit against the State of Georgia that questioned the state’s continued confinement of two individuals with disabilities in a state institution after it had been determined that they could live in the community.

“The Court described Georgia’s actions as “unjustified isolation” and determined that Georgia had violated these individuals’ rights under the Americans with Disabilities Act (ADA). Due to the Olmstead decision, many states are now working to meet their obligations implementing [“Olmstead Plans” and Olmstead-related settlement agreements]” -- from Priced Out in 2014

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**KEY FACTS**

- **107%**
  The percentage of the income of a Delawarean receiving SSI required for the average efficiency apartment.

- **$7,290**
  Deficit of Affordable and Available Units for Delawareans below 15% of AMI

- **$14,580**
  Deficit of Affordable and Available Units for Delawareans below 30% of AMI

- **10,372**
  Number of Delawareans Receiving Supplemental Security Income

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*Sources: Technical Assistance Collaborative, Priced Out 2014: the Housing Crisis for People with Disabilities, and Out of Reach, 2016, NLIHC.org  (Note: the TAC report has not been released since 2014)*
The affordability gap for prospective homeowners in Sussex County continues to grow at an alarming pace from -$168,240 in 2015 to -$212,074 in 2016. This gap between affordability and the fair market value indicates that first time homebuyers - and other low and moderate income earners – are being priced out of homeownership, which erodes their ability to stabilize housing costs and accumulate assets. The gaps are not as wide in Kent and New Castle Counties but remain daunting for many households.

Although foreclosures dropped statewide in 2015, the trends for 2016 suggest that they are once again on the rise, possibly because Delaware continues to work through a backlog of delinquent loans. Additionally, data provided by the Delaware State Housing Authority indicates that 25,389 – or 11% - of homeowners are severely cost-burdened, paying more than 50% of income towards their housing, and therefore at risk of falling behind in their payments.
How We Can Solve the Crisis

Ensure significant funding for the National Housing Trust Fund!

The National Housing Trust Fund (NHTF) will provide communities with funds to build, preserve, and rehabilitate rental homes that are affordable for extremely and very low income households. NLIHC continues to work to ensure that the NHTF receives enough funding through dedicated revenue sources to address the urgent housing needs of millions of Americans. Find out more at www.nhtf.org.

It is also critical to preserve and improve the nation’s public housing stock, expand the number of housing vouchers, and increase funding for other programs providing affordable housing to truly end this crisis.

Online Housing Resources

Listed below are some of the organizations in Delaware which are involved in providing information on our affordable housing crisis:

- Community Wealth: community-wealth.org
- Delaware Housing Coalition: www.housingforall.org
- Delaware Housing Search: www.delawarehousingsearch.org
- Delaware Community Reinvestment Action Council: www.dcrac.org
- Delaware Housing Search: delawarehousingsearch.org
- Delaware State Housing Authority: www.destatehousing.com
- Diamond State CLT: www.diamondstateclt.org
- Homeless Planning Council: www.hpcdelaware.org
- NCALL Research: www.ncall.org
- Technical Assistance Collaborative: www.tacinc.org

Recommended Reading

- Gar Alperovitz, “Inequality’s Dead End — And the Possibility of a New, Long-Term Direction,” The Nonprofit Quarterly, Spring 2015.
- Collins, Chuck, 99 to 1: How Wealth Inequality is Wrecking the World and What We Can Do about It.
- Delaware Housing Coalition and others, Community and Choice: Housing Needs for People with Disabilities in Delaware, April 2012.
- Delaware Housing Coalition, Community Impact: The Effects of Assisted Rental Housing in Delaware, Econsult and Kevin Gillen, October 2012.
- Delaware State Housing Authority, Delaware Housing Fact Sheets, Affordability Gap, destatehousing.com.
- Martin Gillens, Affluence and Influence: Economic Inequality and Political Power in America.
- National Low Income Housing Coalition, Congressional District Housing Profiles, www.nlilhc.org
- National Low Income Housing Coalition, Housing Spotlight, March 2013, www.nlilhc.org
- National Low Income Housing Coalition, Instability Among Our Nation’s Veterans. www.nlilhc.org
- National Low Income Housing Coalition, Out of Reach, 2015, www.nlilhc.org
- Steven C. Pitts (UC-Berkeley Center for Labor Research and Education) and William E. Spriggs, Beyond the Mountaintop: King’s Prescription for Poverty (Howard University Department of Economics), April 2008. http://laborcenter.berkeley.edu/blackworkers/mountaintop_report.pdf
- Technical Assistance Collaborative, Priced Out 2014: the Housing Crisis for People with Disabilities