

# MEETING DELAWARE'S AFFORDABLE HOUSING NEEDS: AN ECONOMIC IMPACT ANALYSIS

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Presented by:  
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## **Agenda**

Welcome	Lorraine deMeurisse
Needs Assessment Overview	Mark Kleinschmidt
Economic Impact Study	Dr. William Latham
Conclusion	Helen McArdle-Stewart

## **Delaware Housing Trust Fund Working Group Members**

Delaware Housing Coalition  
Delaware Rural Housing Consortium  
Deutsche Bank Trust Co. Delaware  
Interfaith Housing Delaware  
JPMorgan Chase  
NCALL Research, Inc.  
West End Neighborhood House

# Statewide Housing Needs Assessment

## Purpose

- Commissioned by DSHA to better understand the needs for housing in Delaware
- To coordinate the use of federal, state and local housing resources over the next five years
- Provide data for local jurisdictions and other affordable housing providers to establish development plans
- Completed by Mullin & Lonergan Associates in February 2003
- Five Year Study: 2003 to 2007; based on 2000 Census

## Summary Findings

- Populations in Need of Housing
  - Substandard Housing
  - New Households
  - Potential Conversion Units
  - Special Populations
  - Elderly and Hispanic
- Housing Inventory and Supply
  - Ownership and Rental
- Demand for Affordable Housing
  - Ownership and Rental

## Populations In Need of Housing

	Number of Households
Households Living in Substandard Housing	13,183
At Risk" Households	28,337
New Households	27,731
Potential Conversion Units	1,963

## Demand for Affordable Housing: Homeownership

- Estimated Demand for Home Ownership Units
  - Five Year Total: 80,800 units for all income levels
  - Annual Demand: 16,200 units
- Existing vs. New Construction
  - Demand for Existing Units 62,200 (77%)
  - Demand for New Units 18,600 (23%)
- Demand for Affordable Home Ownership
  - Almost 50% of all home ownership demand will be for households with incomes less than \$75,000

## Demand for Affordable Housing: Rental Housing

	Family	Elderly	At Risk	Total	
New Castle County	400	130	862	1,392	46.6%
Kent County	505	70	146	721	24.2%
Sussex County	340	250	282	872	29.2%
Statewide	1,245	450	1,290	2,985	100%

## Affordable Housing Policy Concerns

- ✓ The needs assessment shows that there is a large unmet need for affordable housing across a wide range of housing categories and population segments
- ✓ Due to the cost and complexity of building affordable housing, the traditional housing market alone can not meet the needs that have been identified
- ✓ Declining federal housing funds and increased competition for state funds have created an affordable housing “funding gap”
- ✓ Delaware’s affordable housing “**funding gap**” must be addressed in the near term with a significant financial investment or the current affordable housing deficit will continue to increase.

## Fostering a Livable Delaware: A 5-Year Strategic Plan

<b>Very Affordable Rental Housing</b> Multi-family rental housing for the very low income	<b>\$8 Million</b>
<b>Livable Towns and Cities</b> Renovate substandard or vacant housing units into home ownership units	<b>\$8 Million</b>
<b>Promoting Home Ownership</b> Down payment, settlement and home ownership counseling aid	<b>\$6 Million</b>
<b>Affordable Rental Housing</b> Low Income Housing Tax Credit program	<b>\$32 Million</b>
<b>Innovative Housing Initiatives</b> Special purpose projects: community land trusts, SRO, transitional housing and manufactured housing.	<b>\$6 Million</b>
<b>Total</b>	<b>\$60 Million</b>

# Economic Impact Study

## Principal Investigator

Dr. William Latham

- Faculty member in the University of Delaware's Economics Department for over 30 years teaching econometric analysis and forecasting.
- Has studied the Delaware economy for over 25 years.
- Completed detailed economic impact studies for various industries in Delaware.
- Provided research and has testified before the General Assembly concerning the results of his economic impact studies and other related economic matters.

## Purpose

Create a tool to assist policy makers in understanding and communicating the economic and social impact of public investments in a variety of housing options designed to address the needs of lower income Delawareans.

## Scope

The study focuses on the impact of a \$60 million investment in a variety of affordable housing initiatives over a five-year period.

## Methodology

- Utilizes the most accepted economic modeling methods
- IMPLAN software is the most highly regarded economic modeling program currently available in the United States
- Based on a complete economic model of the state
- IMPLAN required a specific set of inputs for program spending. Inputs were derived from the five programs contained in Fostering Livable DE: A Five Year Strategic Housing Plan
- Used a conservative approach in calculating results

## Economic Output: Five-Year Totals

A \$60 million investment in affordable housing would generate \$420 million of economic activity in Delaware. \$1 of housing investment generates \$7 of economic output.

Direct	\$297,876,702
Indirect	\$74,002,782
Induced	\$48,353,122
<b>Total</b>	<b>\$420,232,606</b>

### Leverage Ratio

- Delaware's leverage ratio is 1:7
- Leverage ratios range from 1:1 to 1:25; national average is 1:8
- Delaware study took conservative approach

### Economic Output by County

County	Economic Output
New Castle County	\$152,359,289
Kent County	\$86,245,470
Sussex County	\$181,627,847

### Impact on Jobs

Over the five year period, the affordable housing investment is projected to create 3,395 full-time jobs in Delaware.

County	# of Jobs
New Castle County	1,182
Kent County	700
Sussex County	1,513

### Impact on Income

Over the five-year period, the affordable housing investment is projected to generate \$106,383,555 of income within the State of Delaware.

County	Income
New Castle County	\$43,691,078
Kent County	\$20,294,378
Sussex County	\$42,398,099

### Impact on Taxes

A \$60 million investment in affordable housing will generate \$12.5 million in revenue for state and local governments in Delaware.

	Tax Revenue
State and Local Taxes	\$12,514,959
Federal Taxes	\$30,963,270
<b>Total Taxes</b>	<b>\$43,478,229</b>

## Public Investment vs. Public Spending

There are very few state expenditures that can match the amount of new tax revenue generated by an investment in affordable housing.

Affordable Housing Investment	\$60 million
<u>Minus State &amp; Local Taxes</u>	<u>- \$12.51 million</u>
Net Investment Required	\$47.49 million

- ✓ Few other expenditures by the State of Delaware have any leverage at all
- ✓ Tax cuts only result in multiplier effects
- ✓ Capital expenditures such as transportation expenditures, matched by Federal funds, generally have smaller leverage ratios than investments in affordable housing

### Primary Sources of Dedicated Revenue

- ✓ Property/Real Estate Transfer Tax
- ✓ Recorder of Deeds Fees
- ✓ General Fund
- ✓ GO Bonds
- ✓ Unclaimed Property

## Conclusions

### Benefit to Delaware of a \$60 million Investment

- ✓ \$420 Million in New Economic Activity
- ✓ 3,395 New Full-Time Jobs
- ✓ \$106 Million in New Income
- ✓ \$12.5 Million in New State and Local Taxes
- ✓ \$7 of Economic Output for Every \$1 Invested
- ✓ Additional Non-Economic Social Benefits

### Action Steps to Meet Delaware's Housing Need

- ✓ Allocate an additional \$8 million to the Housing Development Fund per year for next four years
- ✓ Attend Budget Hearing on Housing - Nov. 19
- ✓ Write to Gov. Minner supporting request for additional funding for Housing Development Fund
- ✓ Start discussions to identify ways to increase amount dedicated to the Housing Development Fund (current Recorder of Deeds source or other sources)