

FOSTERING A LIVABLE DELAWARE

A FIVE-YEAR STRATEGIC HOUSING PLAN



The Housing Development Fund (HDF) has been seriously underfunded, relative to the need, since 1986. Over the last few years, funding for the HDF has fallen. In fact the HDF only received \$3.4 million in General Fund appropriations in FY2004, the lowest amount in over ten years. Given the dramatic growth in the state's population and the projected continuation of this trend, this proposal speaks both to funding and to strategically addressing some of the affordable housing needs. While the proposal entails a significant request, it only begins to address the problem of affordable housing in Delaware as expressed in the needs assessment, which has an estimated cost of over \$500 million.

THE PROPOSAL

Adequate housing is the key to a good quality of life for all of Delaware's citizens. The Governor has given attention to affordable housing in Delaware, especially in provisions of *Livable Delaware* and Executive Order Number Twenty-Eight. This proposal reflects the goals of *Livable Delaware* and will be an effective tool to help limit suburban sprawl while supporting the Live Near Your Work Program. The three elements of this proposal complement the *Livable Delaware* agenda. Unless they are implemented, DSHA and the Governor's Council on Housing can not be expected to fulfill their charge to address the five-year needs as set forward in the needs assessment.

Fostering Livable Delaware: A Five Year Strategic Housing Plan

We propose that a five-year plan be put forward to address the affordable housing crisis in Delaware. The plan is necessary to insure that sufficient funds exist to allow housing providers to plan with confidence to meet needs that will not otherwise be met, especially the housing needs of working poor Delawareans. The plan can allow real progress to be made in meeting these needs.

1. Increased Housing Funds

Current funding levels are simply not sufficient to address the full range of Delaware's housing needs. We propose that, following the Governor's addition of \$6 million to the HDF's traditional allocation in FY2005, an additional \$8 million be allocated per year to the HDF in FY2006 through 2009.

2. Enhanced and Dedicated Revenue Source for the HDF

A dedicated revenue source is required, adequate to increase the annual level of budget support, starting with a \$10.4 million appropriation in FY2005 rising to \$12.4 million total appropriation in FY2006-2009.

3. Strategic Use of Funds to Address Critical Needs

The plan includes programmatic measures to more strategically address critical housing needs. Key areas for strategic investment are very affordable rental housing; investment in neighborhood renewal in towns and cities; promoting homeownership through homeownership counseling, down payment and settlement assistance, rental housing production, and flexible funds for innovative housing initiatives and special purposes.

PROPOSED FIVE-YEAR INVESTMENT IN THE HDF						
	2005	2006	2007	2008	2009	Total
CURRENT HDF ALLOCATION (PROJECTED)	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$17.0
DOCUMENT RECORDING FEE REVENUE (ESTIMATED)	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$5.0
ADDITIONAL FUNDING (PROPOSED)	\$6.0	\$8.0	\$8.0	\$8.0	\$8.0	\$38.0
TOTAL HDF INVESTMENT (PROPOSED)	\$10.4	\$12.4	\$12.4	\$12.4	\$12.4	\$60.0

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THE MAIN POINTS

FUND THE HDF

- ❖ Fund the HDF through one-time and increased allocations at the level of \$60 million for five years.
- ❖ Identify and secure enhanced, dedicated revenue sources adequate to fully fund the HDF going forward.
- ❖ Keep the HDF at a minimum of \$10 million per year from Year Five onwards.

USE THE HDF IN NEW WAYS

- ❖ MEASURE I:
HOMES FOR FAMILIES
Create a Capital Grant Program for New Very Low-Income Housing Production and Permanent Affordability.
- ❖ MEASURE II:
LIVABLE TOWNS AND CITIES
Provide Additional Funds for Housing and Neighborhood Renewal in Municipalities.
- ❖ MEASURE III PROMOTING HOMEOWNERSHIP
Increase Down Payment, Settlement, and Homeownership Counseling Aid.
- ❖ MEASURE IV: AFFORDABLE RENTAL HOUSING PRODUCTION
Continue to Fund the Low Income Housing Tax Credit Program and Housing Preservation.
- ❖ MEASURE V: INNOVATIVE HOUSING INITIATIVES
Add Flexible Funds for Special Purposes.

① VERY AFFORDABLE RENTAL HOUSING

Of total new affordable rental units needed just to keep up with new demand (2985), the preponderant need (81%) falls among households at or below 50% of median income. As Executive Order Twenty-Eight suggests, special attention needs to be paid to households below 30% of median income, the extremely poor, who constitute over half the new need (62%).

② LIVABLE TOWNS AND CITIES

Currently, the City of Wilmington, the City of Dover, and the Town of Georgetown are planning homeownership revitalization initiatives to improve the housing supply, balance owner-to-renter ratios, and make themselves a destination for future homebuyers. These efforts are greatly needed given the older housing stock and homeownership rates in these areas, that are at least 20% below the statewide rate. A financing incentive program such as Livable Towns and Cities will enable these efforts to be successful and will attract future private homeownership investment in these areas, in furtherance of the *Livable Delaware* agenda.

③ PROMOTING HOMEOWNERSHIP

Help with down payment and settlement costs makes the difference in enabling hundreds of Delaware households of moderate means each year to become homeowners through the SMAL Program and through a renovation of that program to assure that it serves emerging homeowners in the best way possible. Homeownership counseling is needed to improve the safety and soundness of loans and permit families to become and remain homeowners.

④ RENTAL HOUSING PRODUCTION

Over 18,000 families in Delaware earn less than \$20,000 annually and pay more than 30% of those earnings for rental housing. These families are at risk of becoming homeless if an unforeseen domestic crisis disrupts their precarious existence. By DSHA's own reckoning, \$8 million annually is required to service and leverage the existing volume of low income housing tax credits (LIHTC) coming to the state from the federal government. This is \$40 million over the next five years.

⑤ INNOVATIVE HOUSING INITIATIVES

Various nontraditional but critical packages of housing and community-based services will remain unmet without flexible funds to encourage them.

FIVE PROGRAMS FOR STRATEGIC INVESTMENT

① Capital Grants for New Very Low-Income Housing Production and Permanent Affordability

Allocation:	\$8 million	Program:	Very Affordable Rental
Population:	50% of Area Median Income (AMI) and Below -- Families and Elderly		
Impact:	75 Debt-Free Rental Units (at a subsidy of \$92,500 per unit)		

Dedicate funds to be used over the next five years to provide capital grants primarily to nonprofit developers (with the possibility of its being used in for profit/nonprofit partnerships) to eliminate debt service on a proportion of units in new rental communities. This measure has the merit not only of making these units affordable for very poor families through a one-time grant, but also helps to eliminate some debt service on the entire project. Public funds go directly to base housing costs, rather than helping to pay interest.

② Funds for Housing and Neighborhood Renewal in Municipalities

Allocation:	\$8 million	Program:	Affordable Homeownership
Population:	50 - 80% of Area Median Income		
Impact:	160 units (at an investment of \$50,000 per unit)		

Establish a new statewide housing component to complement and enhance the Governor's *Livable Delaware* initiative, support the revitalization efforts of Delaware's mayors and municipal leaders, and create affordable homeownership options within Delaware's towns and cities that will encourage future business growth in these areas. The Livable Towns and Cities fund is for use by DSHA to help underwrite the cost of acquiring, renovating and reselling vacant land and seriously deteriorated single family homes within Delaware's municipalities.

③ Down Payment, Settlement, and Homeownership Counseling Aid

Allocation:	\$6 million	Program:	Affordable Homeownership
Population:	50 - 80% of Area Median Income		
Impact:	<input type="checkbox"/> 400 new owner-occupied homes (at an investment of \$7500 in downpayment and settlement help) <input type="checkbox"/> 3,333 households provided with comprehensive housing counseling (at an investment of \$900 each)		

Support the network of homeownership programs that allow these households to achieve and maintain the dream of homeownership. It gives even more Delaware families the financial support to become first-time homebuyers and fosters the knowledge and skills needed to keep and maintain this major life investment.

④ LIHTC Program and Housing Preservation

Allocation:	\$32 million	Program:	Affordable Rental
Population:	50 - 60% of Area Median Income		
Impact:	800 Affordable Rental Units (at an investment of \$40,000 per unit)		

The LIHTC is the only major source of funding to produce moderately affordable rental units. In addition, it has recently become the primary program through which affordability is preserved for existing affordable rental housing units for low- and moderate-income residents whose housing units are losing their federal subsidies. Funds to meet this need should be secured over the long term.

⑤ Flexible Funds for Special Purposes

Allocation:	\$6 million	Program:	Affordable Homeownership and Rental
Population:	60% of Area Median Income and Below		
Impact:	Model programs, new homeownership and rental opportunities, housing for special populations, and service-enriched housing		

Use these funds for the establishment of a single-room occupancy (SRO) facility for poultry workers in the Georgetown area, support for manufactured housing communities needing infrastructure improvements and financial help making the conversion to cooperatives, thus preserving affordability; investment in the DE Rural Housing Consortium's three-year housing production plan, start-up help to community land trusts (CLTs) because of the lasting affordability of housing produced via this model, an emergency fund for use by DSHA intervention in unexpected critical housing situations, and gap financing for facilities for special populations such as group homes, emergency and transitional housing, and service-enriched permanent housing for veterans, people with AIDS, farmworkers, and the disabled.

ENDORSEMENT FORM

We endorse the Five-Year Strategic Housing Plan: Fostering a Livable Delaware

1. Increased Housing Funds
2. Enhanced and Dedicated Revenue Source for the HDF
3. Strategic Use of Funds to Address Critical Needs
 - a. Homes for Families
 - b. Livable Towns and Cities
 - c. Promoting Homeownership
 - d. Affordable Rental Housing Production
 - e. Innovative Housing Initiatives

Organization	
Address	
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Date	

Please return this endorsement to:
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