

Housing Needs of Extremely Low Income Households in Delaware

Report to the
Delaware Housing Coalition

By the
Center for Community Research and Service
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Executive Summary

Purpose

At the request of the Delaware Housing Coalition, the University of Delaware's Center for Community Research and Service conducted a study of the housing needs of extremely low income households in Delaware. The Housing Coalition is interested in understanding this lowest income sector of the housing market as part of its strategic planning process and as a basis for making future policy recommendations. Digital copies of this executive summary as well as the full report can be found at <http://www.udel.edu/ccrs/knowledge.html>.

Methodology

The most commonly known method for determining housing need is to compare income and housing cost to determine if a household is cost burdened. Housing cost includes both housing and utilities. Households spending over 30% of their income on housing are thought to be experiencing a "cost burden," and those spending over 50% of income on housing are facing a "severe cost burden".

To determine how many households are experiencing a "cost burden" or "severe cost burden," and to generally support the development of local Consolidated Plans, HUD commissions the U.S. Bureau of the Census to do special tabulations of census data for every CDBG and HOME jurisdiction in the country. These special tabulations are referred to as "CHAS datasets". HUD's CHAS datasets provide detailed information on households by type, size, income, and tenure. This report relies heavily on this CHAS data but also presents data from the 2000 Census, 2005 American Community Survey (ACS), and the Current Population Survey (CPS).

In the CHAS datasets for Delaware, household income is broken into four categories defined as follows: incomes of less than 30% of area median family income (under 30% MFI), incomes between 30% and 50% of area median family income (30%-50% MFI), incomes between 50% and 80% of area median family income (50%-80% MFI), and incomes greater than 80% of area median family income (over 80% MFI). The "under 30% MFI" is the group called "Extremely Low Income". HUD produces the local area median family income for a family of four, which is then extrapolated to produce cut-off points for households of different sizes.

Although the CHAS data also reports on over-crowding and substandard housing, a review of the data indicated that the primary housing problem faced by a significant majority of households is affordability. This is true for both renters and homeowners. By using the CHAS

income ranges and cost burdens, it is possible to estimate the housing needs of ELI households. This need is above the number of currently subsidized households (vouchers, public housing and some other subsidized housing) that by program design limit housing costs for the most part to less than 30% of their income. Retaining this base level of subsidized housing is assumed for this study.

One of the limitations of the CHAS data is that it is based on the decennial census and the most recent data is for 2000. To correct for this, the analysis done for this report uses an estimation technique that employs data from both the 2000 Census and the 2005 American Community Survey (ACS) that are directly comparable to calculate the change over time. The data used is the number of households with income under \$20,000 paying over 30 percent of income on housing by tenure. Although the use of income ranges does not control for household size, it is the closest available cut-off to 30% MFI that is provided in both the Census in 2000 and ACS in 2005. The percent change over time is applied to the original CHAS 2000 data to produce a 2005 estimate.

TABLE 1 HUD Income Guidelines (2005, HUD)					
Income Range	Name of Category	Examples of Eligibility	For 4-Person Household		
			New Castle County	Kent County	Sussex County
Under 30% MFI	Extremely Low Income (ELI)	HUD rental programs including public housing and vouchers typically serve households under 30% MFI	below \$22,750	below \$17,000	below \$16,550
30% to 50% MFI	Very Low Income (Low Income in CDBG)	Maximum eligibility for most HUD rental programs (HOME and LIHTC rentals up to 60% MFI)	\$22,750 to \$37,950	\$17,000 to \$28,350	\$16,550 to \$27,550
50% to 80% MFI	Low Income (Moderate Income in CDBG)	Maximum eligibility for most CDBG programs, HOME, and LIHTC Homeownership	\$37,951 to \$58,000	\$28,351 to \$45,350	\$27,551 to \$44,100
Over 80% MFI	Above Moderate Income	Typically not eligible for HUD housing programs (some exceptions up to 120% MFI)	above \$58,000	above \$45,350	above \$44,100
<small>MFI - Median Family Income; guidelines are updated annually by HUD and used for eligibility for housing assistance and CDBG; actual guidelines will vary by household size and location; In this report MFI means the same as HAMFI which stands for HUD Area Median Family Income. See Appendix for complete set of HUD guidelines for 2000 and 2005.</small>					

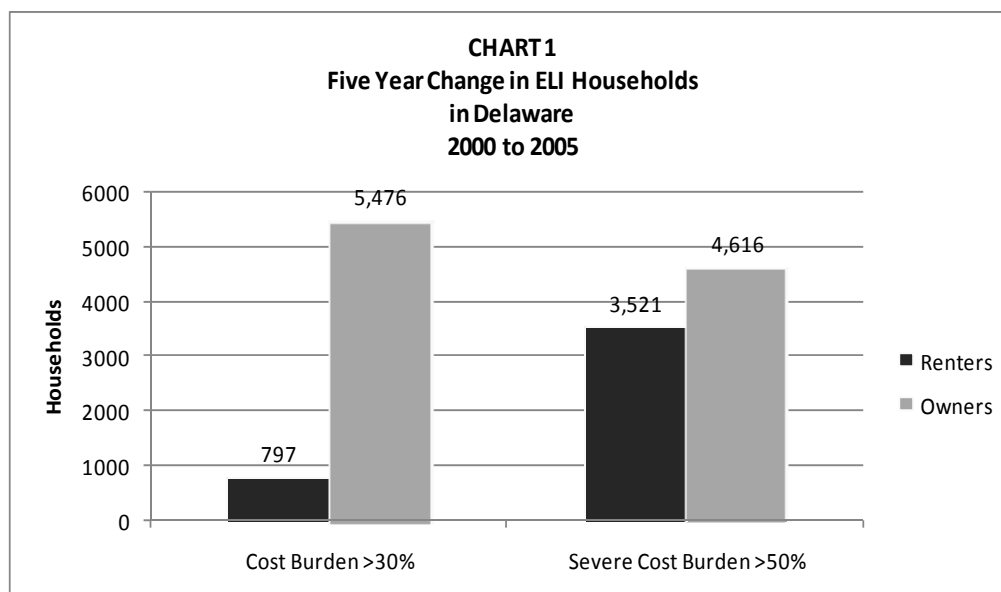
2005 Estimate of Cost-Burdened ELI Households

- There are an estimated 27,836 ELI households in Delaware in need of affordable housing due to lack of affordability of their units and/or lack of income.
- This includes 13,422 rental units and 14,414 owner-occupied units.

	Rent	Own	Total
Delaware	13,422	14,414	27,836
Kent County	1,974	2,932	4,906
New Castle County	9,595	6,529	16,124
Sussex County	1,854	4,980	6,834

Increase in ELI Housing Need from 2000 to 2005

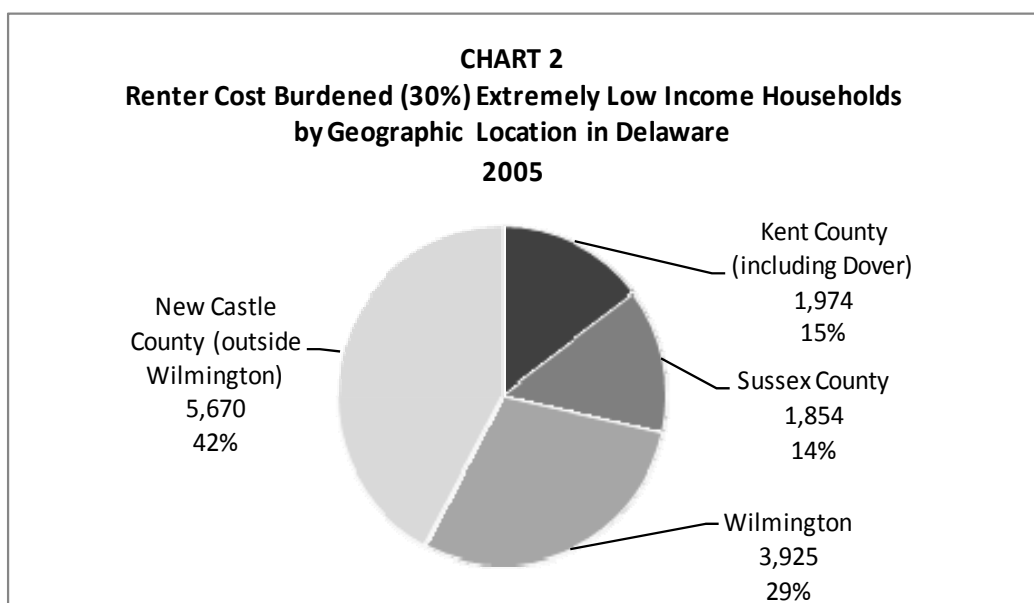
- From 2000 to 2005 there was an increase of 6,273 ELI households with cost burden. This is a 30% increase in five years which compares to the overall increase in households in Delaware of 6% during this period.

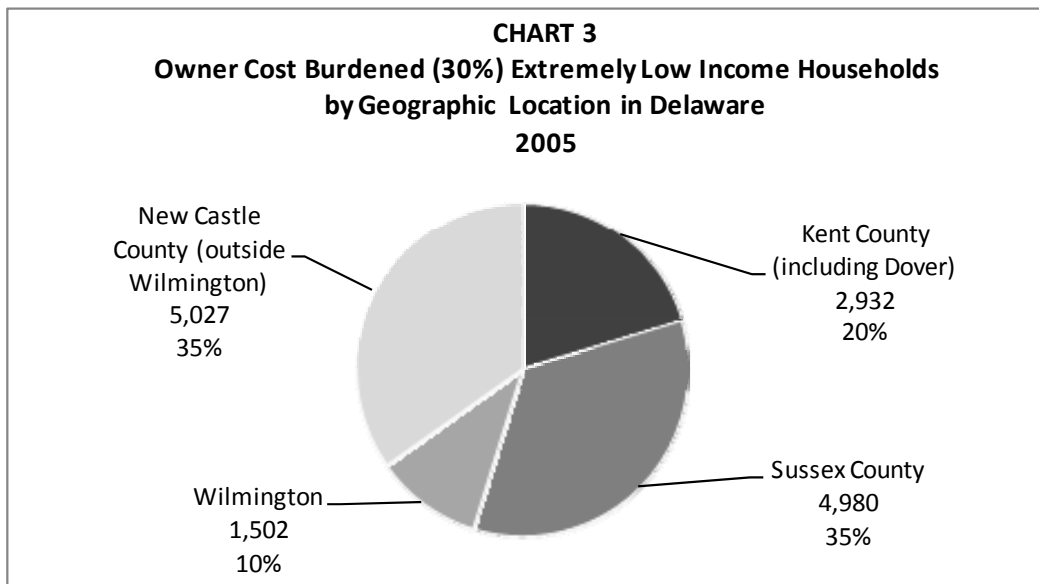


- The increase in ELI renter households was modest at 6.8% or an additional 797 units over the five year period. However, the number of ELI renter households with severe cost burden (cost burden exceeding 50% of income on housing) increased by 3,521, which is a 39.0% increase over five years. The result is that ELI renter households are even more rent-burdened than in the past.
- Ownership has become much less affordable during the five year period for ELI households. The five year increase in cost-burdened ELI homeowners was 5,476, which is a 61.3% increase.

Location of ELI Housing Need in 2005

- Housing needs of ELI Households are present in all three counties with a considerable proportion of the entire state need being in New Castle County (58%).
- Of the 13,422 rental units needed for ELI households 1,974 are in Kent County, 1,854 are in Sussex County and 9,595 are in New Castle County.
- Approximately 3,383 are needed to meet the needs in the city of Wilmington. This figure represents more than one-fourth (29%) of the statewide need and one-third (35%) of the New Castle County need.
- Of the 14,414 owner occupied ELI households with cost burdens, 2,932 are in Kent County, 4,980 are in Sussex County and 6,529 are in New Castle County. Within New Castle County, approximately 1,905 are needed to meet the current needs in the city of Wilmington.





Comparing Rent Burden (over 30%) and Severe Rent Burden (over 50%)

- Only half of all ELI renter households are rent-burdened at all. The fact that more ELI households are not rent burdened is in part due to the availability of public housing and vouchers that already exist and the general availability of housing affordable to ELI households.
- ELI households account for close to half (43.6%) of all households with rent burdens. Another third (33.8%) are households with incomes under 50% MFI but over 30% MFI. Combined, households under 50% MFI make up three-fourths (77.4%) of all rent-burdened households. The rent burden faced by households with incomes over 50% MFI is small in comparison (22.3%).
- ELI households are in fact under severe rent burden (paying over 50% of their income on housing) compared to other income groups. ELI households account for three-fourths (73.3%) of all households with severe rent burdens. Another 20.7% are households with incomes under 50% but over 30% MFI. Combined they make up 94% of all severe rent burdened households. The severe rent burden faced by rental households with incomes over 50% is extremely small (6%).
- Homeowners experience cost burden at all income levels. While higher income owner households are experiencing cost burdens exceeding 30% of income, in many cases this is either by choice (can afford larger housing, for example) or does not result in material hardship for the household because there is sufficient funds available after paying for housing. A considerable percentage of ELI homeowners on the other hand are experiencing high cost burdens. This places them at risk of default and limits their ability to maintain and improve the property as well as afford other basic necessities.

CHART 4
Cost Burden (30%)
by Income Group and Tenure
Delaware
(2000 CHAS)

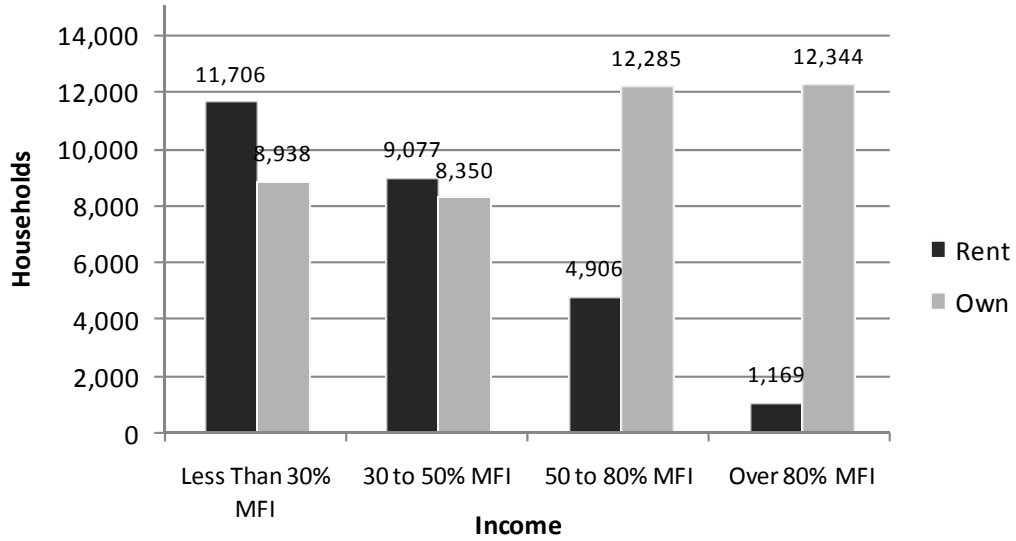
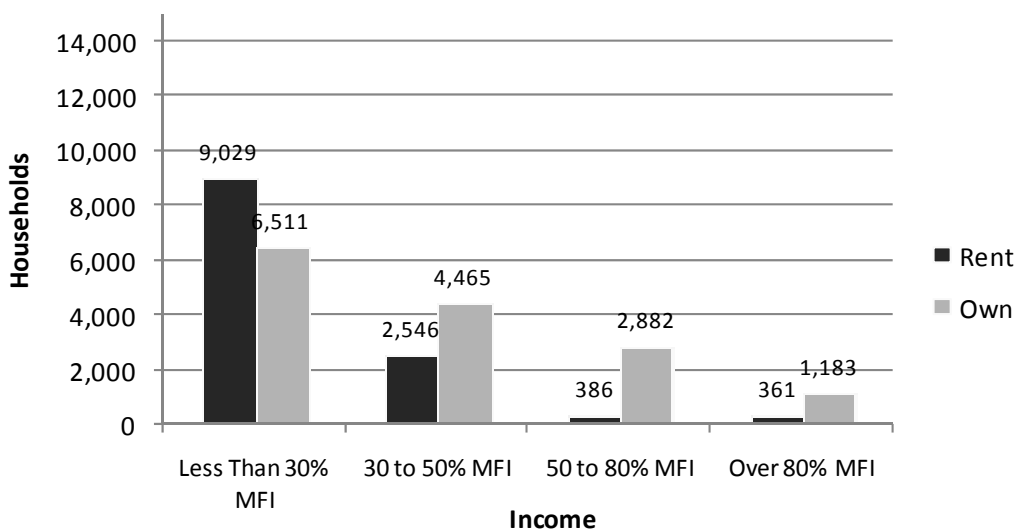
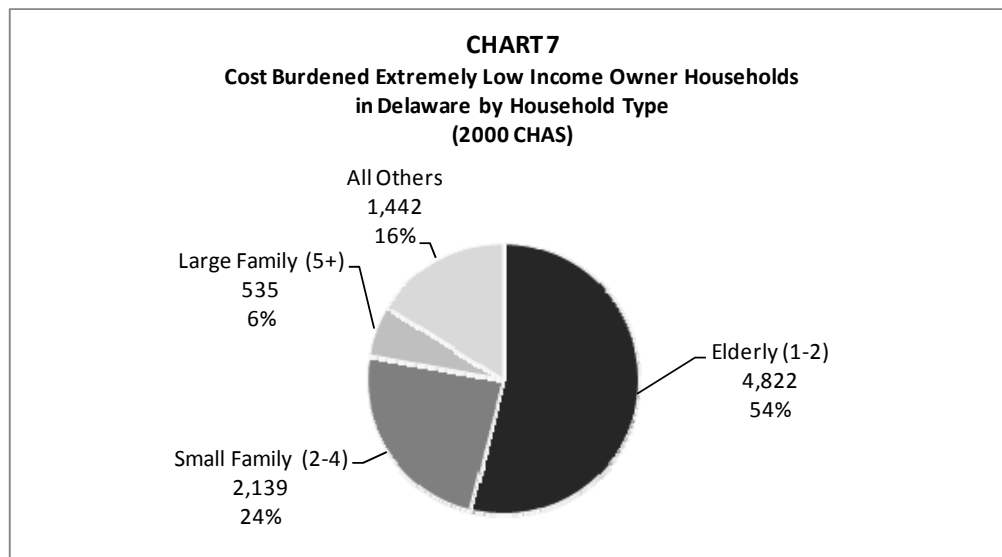
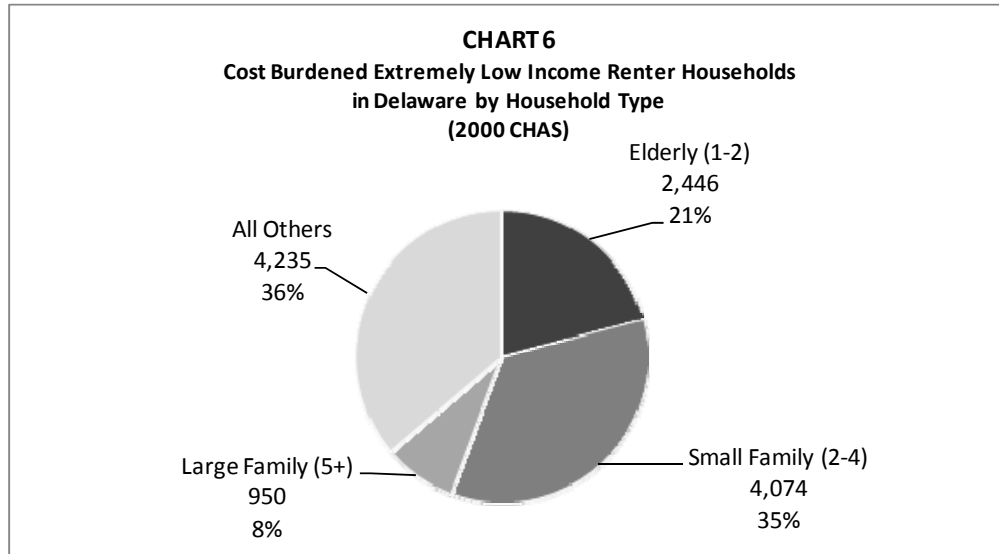


CHART 5
Severe Cost Burden (50%)
by Income Group and Tenure
Delaware
(2000 CHAS)



Need by Household Type, Size, Race/Ethnicity and Tenure

- Single-person households, single-female headed households with children and elderly homeowners stand out as those household types most in need based on the cost burden analysis. Renter households have a significantly different profile. Additional details follow for each of these groups.

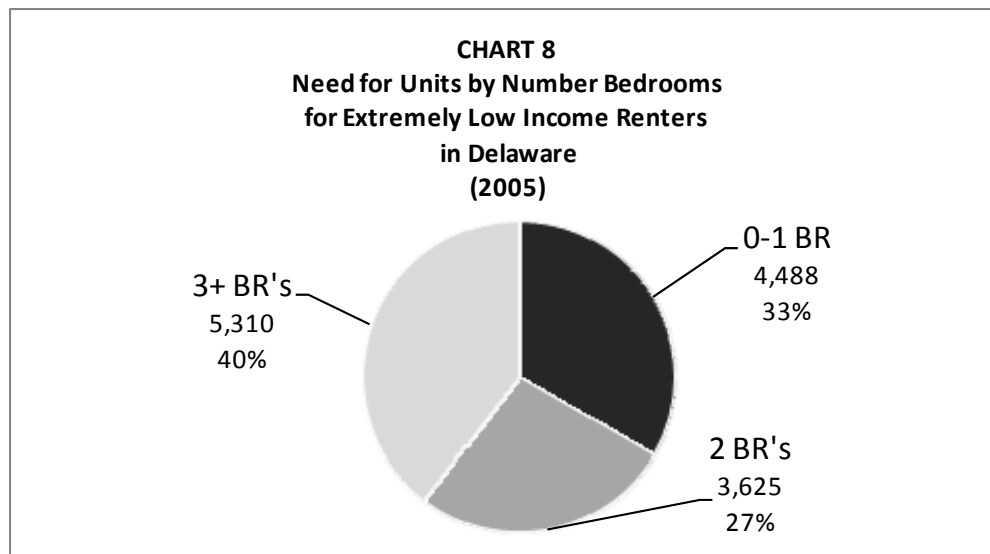


Female-Headed Households with Children

- A significant proportion of ELI needs are female-headed households with children and their need is primarily for larger units.
- There are 7,671 female headed households with children living on incomes below poverty level which accounts for 29.3% of all households below poverty. The poverty rate for this group is 20.4% compared to all households (8.8%) and married couples (2.9%).
- Applying the percent of households below poverty that are female-headed households (29.3%) to the 2005 estimate of ELI households with cost burden indicates that there is a deficit of approximately 8,156 units of affordable housing for this population.

Elderly Households

- The elderly constitute about one third of all cost burdened ELI households. There are approximately 2,446 ELI cost burdened elderly renter households and 4,822 elderly cost burdened owners.
- There is a wide difference in the rate for elderly renters and owners. Close to one-fourth (21%) of all ELI cost burdened rental units are occupied by elderly compared to slightly more than half (54%) of the ELI cost burdened ownership units.

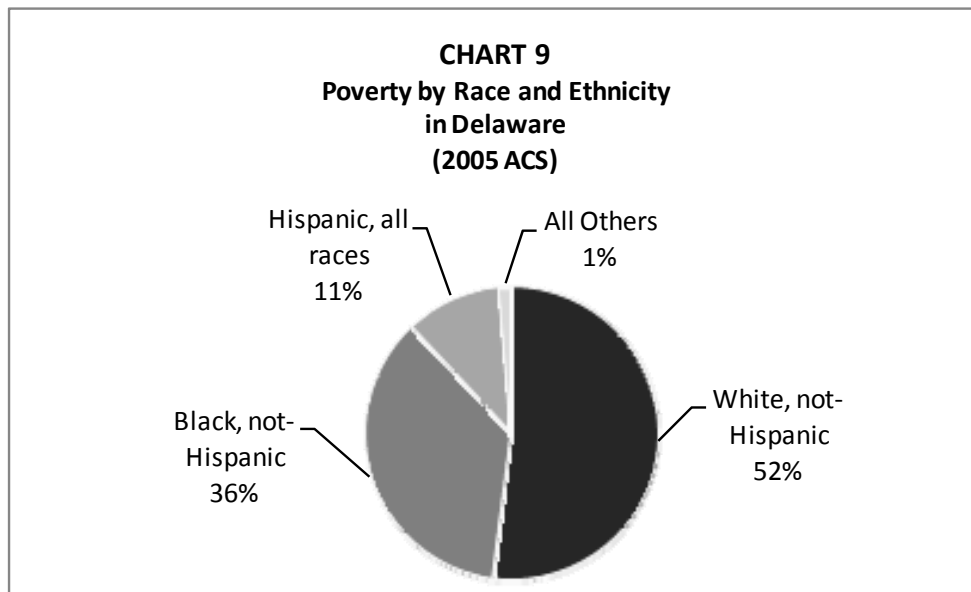


Non-Elderly Single-Person Households

- A very high percentage of ELI households are single-person non-elderly individuals.
- The report estimates that there is a need for 4,488 additional units of 0-1 BR housing. A substantial majority of these are needed to house single person households.
- 738 of these units are needed for homeless single persons. For the most part these are non-elderly homeless people and they would be in need of supportive services in addition to deep subsidies to maintain independent living.

Racial and Ethnic Minority Households

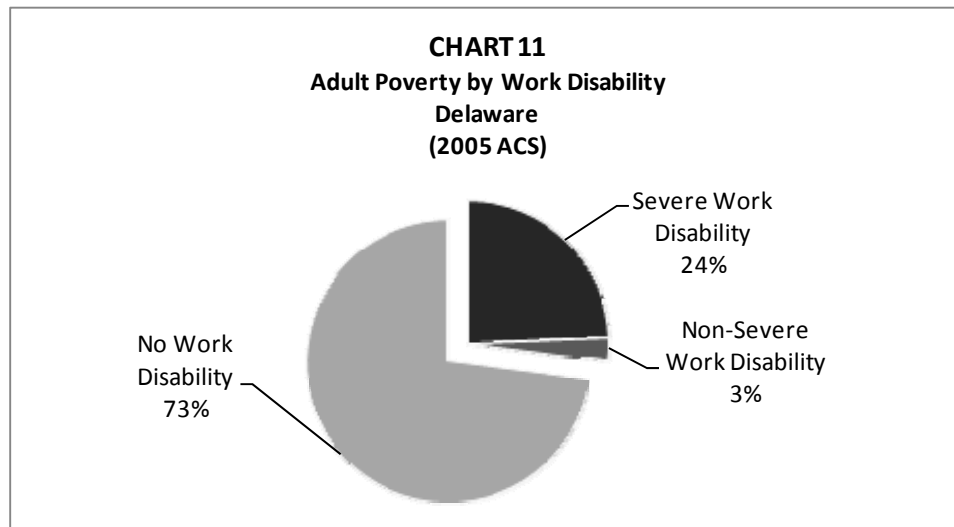
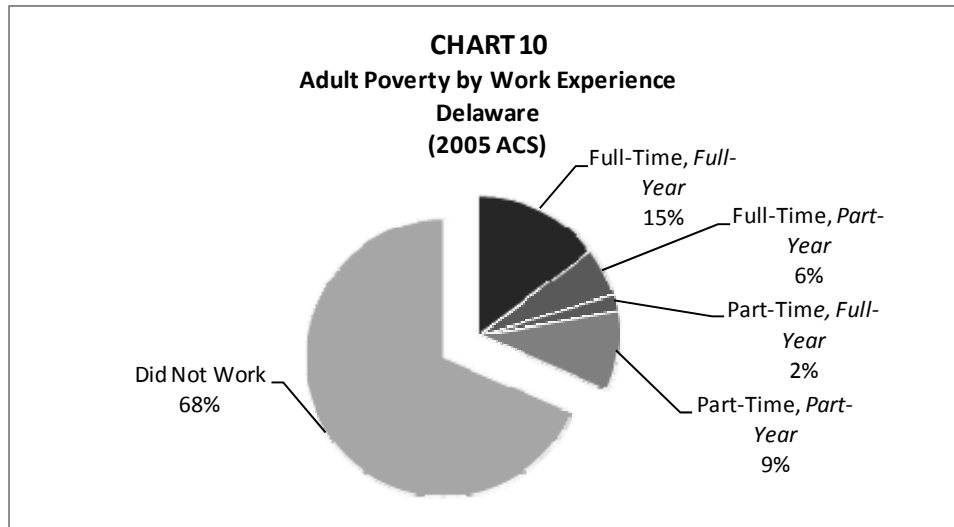
- This report estimates that approximately 36% of all ELI households with cost burdens are African Americans (compared to approximately 20% in the population) and approximately 11% are Hispanic (compared to 7% in the population).



Work Experience and Work Disability

- The number of persons estimated to be below poverty in 2005 is approximately 74,000, of which 54,000 are of working age (15+). Two-thirds (68.5%) of this population reported no work during the prior year compared to one-third (33%) for all households.
- Data on poverty and work indicates that work pays. However, the quality of the job (salary and benefits) is very important. In 2005, those with full-time, full-year employment had a poverty rate of only 2.4%. The poverty rate for those who worked only part-time or part-year was not significantly less than those who did not work at all.

- One-fourth (24%) of the population below poverty in 2005 reported that they had a severe work disability which would prevent them from working or would severely limit their capacity to work.



Homeless Housing Needs

The Homeless Planning Council Point-in-Time (PIT) study (2006) on homeless people in Delaware was used to estimate the additional number of ELI households in need of housing.¹

¹ Homeless Planning Council of Delaware (2006) "Point in Time Study" cited in the University of Delaware Center for Community Research and Service (2007) "Twenty Years of Data Collection and Research on Homelessness in Delaware."

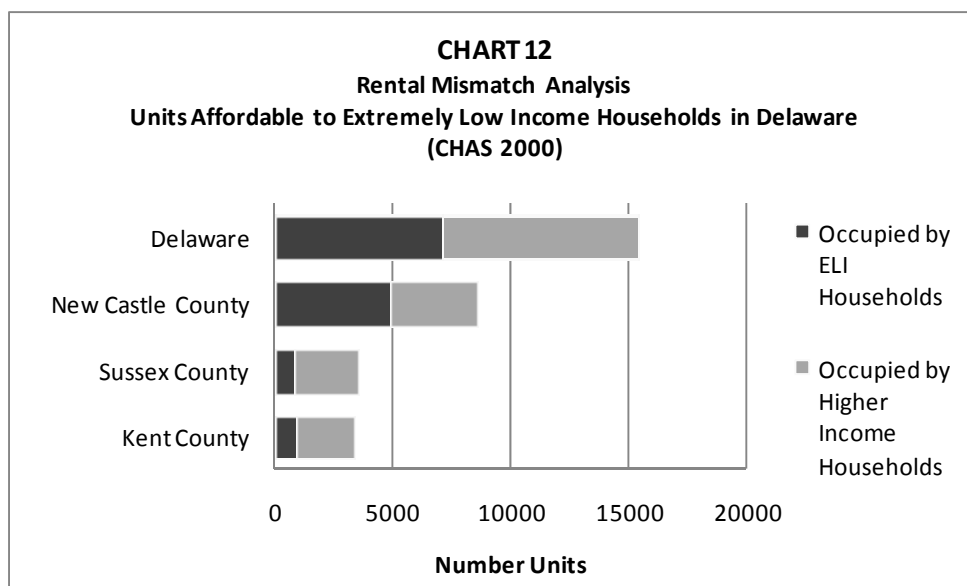
CHAS data only reports on occupied housing. The data in the PIT study is sufficiently detailed and valid to draw conclusions on household size and type and to estimate the number of units needed by bedroom size. Using the point-in-time is appropriate since the Census is taken at one point-in-time so they are comparable. As far as it is known, this would be the first time that PIT data has been used in combination with CHAS data to produce an overall estimate of housing need.

The Point-in-Time study counted 1,199 persons. Of these, 986 people were sheltered in emergency or transitional shelter and the other 213 were unsheltered. There were 738 single person households. All of these households would qualify as ELI and would be severely rent burdened if they were housed. The numbers in need are added to the CHAS 2005 estimate to reach a total estimate of ELI housing need.

Converting these households into HUD household type and # bedrooms identified 923 households including 37 elderly 1-2 person households, 125 small-family, 60 large-family and 701 others, mainly non-elderly singles. This further breaks down into 738 0-1 BR, 125 2 BR, 60 3 BR units.

Rental “Mismatch” Analysis

There is a severe “Mismatch” between the affordable units that are in the market and ELI households. In spite of the fact that there is a balance between the number of ELI households and the number of affordable units, only about half of ELI households reside in housing that is affordable at their income level. One of the findings of this study is that there would be sufficient affordable rental housing to house all ELI households if they were to reside in these units but half of the affordable units are occupied by households with incomes over 30% MFI.



The “mismatch” analysis found that in 2000 (CHAS) there were 15,400 ELI households and 16,675 units affordable to ELI households for an average ratio of 1.08. This means that there are 108 affordable units for every 100 ELI households. However, only 47 units are both affordable and available to ELI households. The mismatch is greater in Kent and Sussex Counties where only 25 units are both affordable and available to ELI households. In all likelihood, this is what has made rental housing generally affordable in Delaware for higher income households. Perhaps this indicates a potential market rate demand for higher income households if they could be persuaded to “trade up”. Unfortunately for housing policy, it is highly unlikely that we can encourage the extensive “switching” between ELI and other renters that would be needed to take advantage of the available affordable housing stock. Therefore there remains an extensive need for additional affordable housing units for ELI renters.

A Word About Policy

The scope of work for this study was limited to the estimation and analysis of the housing needs of extremely low income households in Delaware. Specific policy recommendations are beyond the scope; however it is possible to make a few comments on additional follow-up work that would be helpful.

1. Resource Assessment - It is highly recommended that a local analysis be conducted of resources available in the State of Delaware from federal, state, local, and private sources that are currently being directed at meeting the needs of extremely low income households. National data on federal and state housing programs indicate that flexible subsidy programs (LIHTC and HOME) are not being used to address the needs of ELI households.² The resource assessment can be analyzed to identify the potential for use of existing resources to address the ELI housing needs and identify and quantify the need for additional resources as well as identify possible new sources of revenue.
2. Housing and Labor Policy Coordination - The data clearly indicate that policy regarding extremely low income households cannot be purely a housing issue. In some cases incomes are too low to afford housing at any cost. The level of employment is very low among this population and there is a significant level of work disabilities. However, there is a large segment of the ELI population that is of working age without a work disability. This indicates a potential for targeting income producing strategies that reduce the number of households below poverty through work and income supports. It is recommended that housing, social services, and workforce development interests meet jointly to address the needs of this population.

² Mueller, Elizabeth and Schwartz, Alex (2007) “Reversing the Tide? Meeting the Housing Needs of the Poor in the Absence of Federal Direct Subsidy Programs.” Paper presented at the 2007 Urban Affairs Association conference in Seattle, WA .

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