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# Who Can Afford to Live in Delaware?

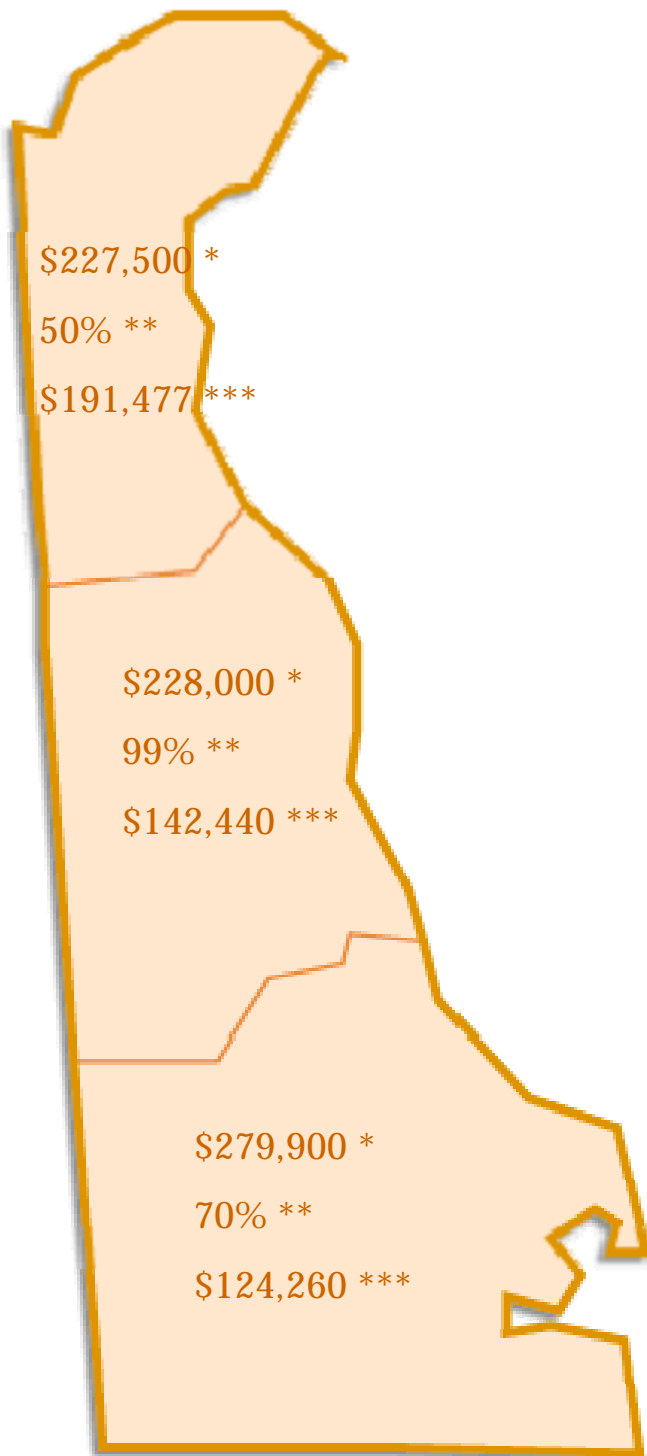
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Delaware Housing Coalition

First Annual Report

May 2007



## HOMEBUYERS

By County —

\* 2006 Median Home Price  
by County

\*\* % Increase since 2000

\*\*\* Price Affordable to  
Household with Low/  
Moderate Income

## Who Can Afford to Live in Delaware?

### Delaware's Growing Affordable Housing Predicament

#### Homeownership

- In 2006, the median purchase price for a home in Delaware ranged from \$279,900 in Sussex County to \$227,500 in New Castle County. Price increases since 2000 have ranged from 74% in Sussex County to 50% in New Castle, while Kent County's median price of \$228,000 represents an almost 99% increase. <sup>i</sup>
- Median income in Delaware ranges from approximately \$55,000 in Kent and Sussex to \$72,100 in New Castle County. <sup>ii</sup>
- To purchase a typical median-priced home (\$228,000), Delaware residents require annual income of at least \$60,000. This means that only in New Castle County can residents earning the median income afford to become homeowners. <sup>iii</sup>

#### Incomes

- Only an estimated 150,000 Delaware workers (36% of the total) earn enough to afford the typical house price of \$228,000.
- 45,732 Delaware families pay 30% or more of their income for their mortgage and other housing costs.
- 47,690 Delaware families have incomes below \$35,000, making it difficult for them to afford to buy or to rent adequate housing.
- 84,060 workers have median wages below that needed to rent a two-bedroom apartment at the Fair Market Rent in the most populous county.

#### Renters

- The Fair Market Rent for a two-bedroom apartment ranges from a low of \$661 in Sussex County to a high of \$923 in New Castle—an increase of as much as 20% since 2004. <sup>iv</sup>
- A Delaware family must earn \$16.31 per hour—or \$33,925 annually—to afford an average two-bedroom apartment. At least 229,000 workers are in occupations with median wages below that amount. <sup>vi</sup>
- 59% of all workers in New Castle and Sussex Counties and 57% of all workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.
- Over 11,000 extremely low-income households in Delaware pay more than half of their income for rent, and there is a shortage of 12,000 affordable rental units. <sup>v</sup>

#### Homelessness

- Over 26,000 households are severely burdened, paying over 50% of their income for housing.
- 7,000 Delawareans experience homelessness each year, with over a thousand chronically homeless.

# Who Can Afford to Live in Delaware?

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## How Do We Define “Affordable Housing”?

We use the widely-acceptable measure of 30% of household income being available for rent and utilities or for mortgage payment, property taxes and insurance. This is an arbitrary standard and fails to account for the true impact of housing costs for many families. Many households with low incomes would have little left after paying this share for housing. For example, a household classified as “extremely low income” earns less than 30% of the area median—only \$16,290 in Sussex County. Their payment of \$407 (30%) for housing leaves only \$950 for all other expenses each month.

While the share of income available for housing presumably increases as incomes rise, the real issues are the widening gap between incomes and housing costs for many income groups and the already-large share of income required for housing costs by those at low income levels.

Delaware is in demand—and the rising cost of housing in some local markets makes it difficult for many working families to acquire the housing they need. In some communities, new housing construction, in particular, is out of reach for established workers due to high demand for vacation or retirement homes.

This report assembles relevant data and analysis and provides concluding recommendations to guide those concerned with affordable housing for rent or for purchase throughout the First State.

A Sussex household earning less than 30% of median income has only \$16,290 per year and can afford only \$407 a month for housing.

## THE RISING COST OF HOUSING

### Homeownership

Most families in Delaware own their own single-family, detached home. They have achieved what some consider the American Dream. That’s the good news. In fact, Delaware ranks among the highest in the nation in the share of its residents who own their own homes. It is 6<sup>th</sup>, <sup>vii</sup> with 76.8% of all units owner occupied. Many of the remaining 23.2% cannot afford home ownership.

In today’s market, \$228,000 may be considered a typical house price for Delaware. To afford such a house, a household must earn \$60,000. <sup>viii</sup> Only an estimated 150,000 workers earn this amount of income or more, comprising 36% of all workers in the state. <sup>ix</sup>

Only an estimated 150,000 workers (36% of the total) earn \$60,000 or more, enough to afford the typical house price of \$228,000.

## Who Can Afford to Live in Delaware?

45,732 Delaware families pay 30% or more of their income for their mortgage and other housing costs.

33,287 owner households pay more than 35% of their income for housing.

An estimated 16,000 homeowners are extremely cost burdened, paying more than 50% if their income for housing.

From 2000 to 2006, a total of 39,698 housing units—a tenth of the total—were built.

Sussex County has the most expensive housing market, with the median price reaching almost \$280,000 during 2006. <sup>x</sup> This is due, in large part, to high prices and demand in the resort market near the beaches.

Of course, median house prices do not tell the whole story of the market; nor do median wages. It appears that much new construction is targeted toward the upper end of the market, including retirees from other states who choose to move to Delaware because of its lower prices, relatively less crowded conditions, and lower property taxes compared with neighboring states. This influx of new residents is helping to drive housing prices up.

The median value of existing homes in the state was \$203,800 in 2005. <sup>xi</sup> The median monthly cost of home ownership to those owners with a mortgage was \$1,246, while owners who had paid off their homes had housing costs of only \$326 per month. Notably, 45,732 Delaware homeowner families paid 30% or more of their income for their mortgage and other housing costs. Among them, 33,287 owner households paid more than 35% of their income for housing. An estimated 16,000 homeowners are extremely cost burdened, contributing to the rising rate of mortgage foreclosures in the state. <sup>xii</sup>

The housing stock in Delaware, both historically and with reference to recent construction, is predominantly single-family. During 2006, 7,881 housing units were built statewide. Of these, 5,282 or 67% were single-family units, including single detached houses, condominiums, and townhouses built for sale. 1,396 were multi-family units (18%), with the remainder manufactured homes (1,203 units or 15%.) The peak year of housing production in the past decade was 2005, with 9,831 housing units built throughout the state. <sup>xiii</sup>

Many in the real estate and construction industries view the housing market as a “buyer’s” market, with prices cooling off somewhat from their highs earlier in the decade and a rising inventory of homes available. Nationwide, sales of existing homes declined in 2006 by 8.2% compared with the 2005, while new sales dropped by 17.5%. Housing starts were down 12.5%. <sup>xiv</sup> Currently, Delaware has a large inventory of houses for sale and for rent: In 2006, Delaware had a homeowner vacancy rate of 2.6%, the highest since 1997. <sup>xv</sup>

Delaware’s housing market was most heated during the period 2000–2005, when 41% of all households, numbering 153,699, moved into the residences they occupied at the end of that period. <sup>xvi</sup> A total of 39,698 housing units—a tenth of the total—were built during these same six years. The market has slowed down. The average annual change in housing prices was only 7.32% in the fourth quarter of 2006, compared with a higher rate of 17% in the second quarter of 2005. Despite expanded housing production during the present decade, the rate of home ownership among Delaware’s households has increased only 3.5%.

While Delaware ranks 6<sup>th</sup> in home ownership, its share of million-dollar homes increased 194% during the years 2001-2003. By 2003, there were 1,692 homes in this category.

This high-income market contrasts with that of the lower end of the income spectrum: 47,690 Delaware families have incomes below \$35,000, making it difficult for them to afford to buy or to rent adequate housing. 7.6% of families are below the poverty level, with the largest share (17.6%) having children under five years of age.

47,690 Delaware families have incomes below \$35,000, making it difficult for them to afford to buy or to rent adequate housing.

## THE DECLINING POWER OF INCOMES

### Jobs and Housing

Looking at the top job categories in the state, here is how the earnings in the most common positions compare with housing costs:

#### ***Top Employment Categories*** .<sup>xvii</sup>

Job	Number of workers	Median wage	% for Whom Fair Market Rent Is Affordable (NCCo.)	% for Whom Mortgage Is Affordable
retail sales	18,180	\$9.46	53%	36%
office clerk	16,110	\$11.08	62%	42%
cashier	11,640	\$8.11	46%	31%
customer service	10,190	\$14.36	81%	55%
janitor	8,030	\$9.06	51%	35%
waiter/waitress	7,960	\$6.98	39%	27%
nurse	7,710	\$27.53	155%	108%
administrative assistant	6,150	\$17.44	98%	67%
bookkeeping/ accounting clerk	5,800	\$15.31	86%	59%
general manager	5,790	\$39.22	221%	150%

84,060 workers in the ten largest employment categories have median wages below that needed to rent a two-bedroom apartment in New Castle.

## Who Can Afford to Live in Delaware?

Of the 97,560 workers in these ten largest employment categories in Delaware, 84,060 or 86% of them have median wages below that needed to rent a two-bedroom apartment at the Fair Market Rent in the most populous county—where most of them work.

## Manufactured Housing

According to the Delaware Manufactured Home Owners Association, ground rent ranges from \$4,000 to \$21,900 per year.

Manufactured housing is the affordable housing product of choice for thousands of Delawareans. It is also a housing sector which is undergoing rapid and needed improvement to reflect the requirements of the contemporary consumer. No longer a “mobile home,” manufactured housing is, in Delaware, a significant component of housing development, with 3,442 units acquired during the 2004–2006 period.<sup>xviii</sup> The costs of such housing are significantly lower. Average costs per square foot are typically less than half of that for on-site construction.<sup>xix</sup> Many provide housing for retirees in communities restricted to those over the age of 55, attracting residents with club-houses and other amenities comparable to those of condominium apartments in urban areas.

Data for the year 2005 indicate that the 1,100 units of manufactured housing placed in the state had an average sales price of \$84,200. It should be noted that this does not include the cost of land, whether purchased or rented.

Nationwide, the manufactured housing industry reports that the median household income of all residents was \$35,000, with a median net worth of \$60,000. The average household size was 2.8 persons, representing all age groups in roughly equal proportions. Most (83%) are owner occupied, with just 6% occupied by renters (and others typically using it as a vacation home.) Most have owned their manufactured home for less than ten years, while nearly half (49%) of all manufactured units in the US are situated on the homeowner’s property. The median market value in 2005 was \$21,000, with 67% of owners financing their homes.<sup>xx</sup>

In Delaware, over half of all manufactured homes are situated on leased land.

In Delaware, by contrast, over half of the state’s estimated 50,000 manufactured homes are situated in investor-owned communities or on other leased land. According to the Delaware Manufactured Home Owners Association, ground rent ranges from \$4,000 to \$21,900 per year. New single-wide homes cost between \$45,000 and \$110,000, with double-wide units ranging from \$70,000 to \$300,000 in price. As manufactured homes are not treated as real property in Delaware, their owners often lack access to mortgage financing. Instead, they may finance their units at interest rates ranging from 14% to 22%.<sup>xxi</sup> Combined with these factors, rent increases in investor-owned communities have increased the sense of insecurity of residents.

## Rental Housing

Delaware has approximately 87,780 renter households. The rather high reported vacancy rate of 12.2%<sup>xxii</sup> includes seasonal vacancies in resort housing and is, therefore, not an indicator of the vacancy rate in permanent, much less affordable, housing.

Fair Market Rents for a two-bedroom apartment—calculated by the U.S. Department of Housing and Urban Development—range from \$661 in Sussex County to \$709 in Kent and \$923 in New Castle County. A *housing wage* may be computed to reflect the hourly wage needed for a worker to afford a two-bedroom apartment. In keeping with the definition of affordability noted above, it is expected that 30% of income is available for rent. The two-bedroom housing wage for Delaware as a whole is \$16.31.

The following data is available for each county:<sup>xxiii</sup>

County	Number of workers earning housing wage or more	Number of workers earning less than housing wage	% of workers earning less than housing wage
New Castle	118,690	168,540	59%
Kent	29,700	28,180	49%
Sussex	28,700	41,950	59%

59% of all workers in New Castle and Sussex Counties and 57% of all workers *statewide* have insufficient income to afford a two-bedroom apartment at the prevailing Fair Market Rent for their county of employment.

Median rent in Delaware during 2005 was \$793 per month, with 46,573 households paying more than \$750 and 31,146 households paying 35% or more of their income for rent.<sup>xxiv</sup> This share of renters experiencing a high housing burden represents more than 35% of Delaware's renter households. A large share of Delaware renters are burdened by housing costs in excess of 30%—and even 50%—of their income, a situation which makes them precariously housed, at risk of homelessness, and highly vulnerable to a chaotic mode of survival and the neglect of basic human needs.

County	Two-Bedroom Housing Wage
New Castle	\$17.75
Kent	\$13.63
Sussex	\$12.71

Two-Bedroom Fair Market Rents range from \$661 in Sussex County to \$709 in Kent and \$923 in New Castle County.

59% of all workers in New Castle and Sussex Counties and 57% of all workers *statewide* have insufficient income to afford a two-bedroom apartment in their county of employment.

Who Can Afford to Live in Delaware?

## Extreme Poverty and Severe Rent Burdens

For every 100 renter households with incomes at or below 30% of the area median Delaware has only 49 affordable units and only 41 units both affordable and available.

Delaware continues to have a significant deficit of rental housing that is affordable to households with the lowest levels of income. Subsidized housing is typically limited to those with incomes below 80% of the area median income. In reality, fewer than half of renters earning 30% or less of the area median have access to affordable rental housing, while most, if not all, renters with incomes of 50% or more of the area median do. It is those below this income threshold for whom additional policies and assistance are needed.

For every 100 renter households with incomes at or below 30% of the area median Delaware has only 49 units affordable and 41 units both affordable and available. This compares with 83 units per 100 renters at 50% of area median and 110 units per 100 at 80% of median.<sup>xxv</sup> Half or more of renters earning 30% or less of area median income are severely cost burdened, meaning that they spend more than fifty percent of their income for rent. This makes it nearly impossible for them to improve their standard of living. This extremely low-income population represents most of those with a severe housing cost burden and comprises *an estimated 11,125 Delaware households*.<sup>xxvi</sup>

Delaware Households with Incomes At or Below 30% of Median	
Number of Households	11,125
As % of All Renter Households	26.9%
% Rent Burdened	54.2%
% of All Severely Rent Burdened	86.1%

In 2000, more than 18,000 renter families were at risk of homelessness, with annual income below \$20,000 and housing costs that absorb more than 30% of that income.

Those considered “at risk” for homelessness include households whose annual income is below \$20,000 and who pay more than 30% of that income for housing. In Delaware, renter households in this category numbered 18,150 in 2000.<sup>xxvii</sup>

When affordable housing is built, it is not always targeted to those at the lowest income levels who have the greatest need. Many renters hold onto their units as their incomes rise, further reducing the share of units available to those seeking affordable housing. Rents have also risen faster than incomes. For example, the median gross rent in Delaware in 2003 was \$718, an increase of 5.7% in a single year. Fair Market Rents have increased more than 30% since 2000. Currently, the largest category of renters—more than 31,000 households—pay more than 35% of their income for housing.



Households Income Categories	
Not Low Income	80% of Median or Above
Low Income	Between 50% and 80% of Median
Very Low Income	Between 30% and 50% of Median
Extremely Low-Income	At or below 30% of Median

There is a deficit of 12,000 affordable housing units for those of extremely low income in Delaware.

The residents of public housing, the traditional sanctuary of the extremely poor, have average annual income of just \$11,166.<sup>xxviii</sup> Two-thirds of them have incomes below 30% of the area median—\$52,500 for the state in 2005. Over a third of public housing residents earn wages, with half receiving SSI or Social Security. Monthly SSI payments of \$603 are less than the Fair Market Rent in all three counties.

The Fair Market Rent, while unknown to many renters in the private rental market, is an indicator of the rising cost burden for First State renters. In 2004, 43% of extremely low-income renters paid half or more of their income for rent. One year later, this extreme cost burden was experienced by 54% of those in this lowest income category.<sup>xxix</sup>

There is a deficit of 12,000 affordable housing units for those of very low to extremely low income in Delaware.<sup>xxx</sup> Units would have to be accompanied by rental subsidies in order to be affordable to households at these low income levels. As household income decreases, the amount of subsidy needed to make a unit affordable at that income increases. In comparison with the demand, resources allowed DSHA to construct just 415 new rental units from 2003 through 2006, 120 (29%) of them being targeted to households at or below 50% of median and 295 (71%) to households at or below 60% of median. In this same period, an estimated 1500 units were preserved for low income residents.

Many reflect on the 1990s as an era in which income growth and the expansion of the housing stock were notable and expect these trends to continue. An alternative assessment is offered by the Center for Budget and Policy Priorities in its 2003 report: “The housing improvements of the past decade reflect income growth in the late 1990s, but this trend has since reversed. Since 2000, median household income has fallen, poverty levels have risen, and the share of people in deep poverty has risen to levels higher than any year since the data were first calculated in 1979.”<sup>xxxi</sup>

Renter households in Delaware below 30% of median income comprise 86% of those paying more than 50% of their income for rent.

Over 26,000 households are severely burdened, paying over 50% of their income for housing.

## Who Can Afford to Live in Delaware?

### Housing Conditions

Within Kent and New Castle Counties, there are an estimated 8,464 Delaware households which may be defined as both *working poor* and resident in substandard housing.

Substandard units are ones needing “substantial rehabilitation in order to make them structurally sound, safe, and habitable... Substantial rehabilitation is quantified as at least \$30,000 per unit (\$20,000 for a mobile home) in non-cosmetic repairs typically including at least two major structural systems.” At last count (2000), there were an estimated 13,183 substandard housing units in Delaware. <sup>xxxii</sup> Recently, it was found that over one thousand homes had more than 1.51 occupants per room. <sup>xxxiii</sup>

Affordable housing that is unsafe and injurious to health is no housing bargain, contributing to expensive repairs, condemnations, evictions, and family member despair and dysfunction.

### The Working Poor

Many people believe that those who live in poor housing lack employment and do not seek to improve their living conditions by going to work. This widespread perception is at odds with the fact that 12% of Delaware’s households may be classified as “working poor.” A household defined as “working poor” is one with at least one working person as well as an income at or below 150% of the poverty level.

A family of five with an annual income of 150% of the Federal Poverty Level income earns \$36,195. Smaller household sizes correspond with lower incomes. Applying these guidelines to available data for Wilmington/Newark and Dover MSA households living in inadequate housing means that an estimated 8,464 Delaware households may be defined as both *working poor* and resident in substandard housing. Of these, 4,282 households are homeowners and 4,182 are renters. <sup>xxxiv</sup> Many of these termed the *working poor* have incomes which exceed limits for participation in assisted housing programs such as Section 8 rental assistance, which provide priority to those earning 80% of area median income. It is worth noting that these computations for the working poor apply only to the state’s urban areas and exclude Sussex County and its approximately 200,000 residents completely.

Families who currently receive assistance from Delaware Health and Social Services, Division of Social Services, through the program entitled *Temporary Assistance for Needy Families* (TANF) are supposed to be on a track toward employment and economic “self-sufficiency.” Yet the average TANF-leaving wage in Delaware is just \$7.96 per hour, less than half of the state’s two-bedroom housing wage of \$16.31. These families are clearly among the working poor who earn too little to pay for the costs of adequate housing and other human necessities.

The average TANF beginning wage is \$7.96 per hour.

## Homelessness and Housing Challenges

The Homelessness Planning Council estimates that over 1,800 Delawareans are homeless on any given night, with nearly 7,000 state residents experiencing homelessness during the year. Of these, 15% are termed *chronically homeless*, meaning those who regularly experience homelessness and who have mental illnesses or substance abuse problems that make it difficult for them to secure and to maintain permanent places of residence. 2,000 Delawareans are either chronically homeless or at risk of becoming chronically homeless.

These chronically homeless individuals consume more than half of the resources available for the entire homeless population.

Delaware's current system to assist its homeless citizens includes 1,356 beds in various shelters and institutions, plus 120 motel vouchers typically used each night. While a substantial resource, these fall short of the demand for shelter by those whose means are the most limited.

The ten-year plan for homelessness—recently approved by Governor Minner—focuses on the critical needs of the chronically homeless and those at risk for becoming chronically homeless. The costs to the state of not assisting this segment of the homeless population is high. A study<sup>xxxv</sup> reveals that "...95% of the cost of providing supportive housing was covered by savings in other systems for which costs could be easily gathered."

Needed are 648 new supportive housing units—those with essential services for disabled or mentally ill population—along with 1,000 rental subsidies in order to house the 2,000 individuals who are most in need and most at risk of homelessness. The cost of 1,000 rental housing vouchers sufficient to provide housing for several years is estimated at \$7.2 million, to which must be added the cost of supportive services.

Over 1,800 Delawareans are homeless on any given night, with nearly 7,000 state residents experiencing homelessness during the year.

Delaware needs 648 new supportive housing units, along with 1,000 new rental subsidies in order to house the 2,000 individuals who are most in need and most at risk of homelessness.

## Who Can Afford to Live in Delaware?

### Decline in Federal Assistance

The DSHA budget request for the forthcoming fiscal year will make it possible to maintain 288 units of affordable housing and retain \$2.5 million in annual federal funds to Delaware.

Federal programs and resources have assisted Delaware to reduce the number of substandard housing units and to provide affordable rental housing and home ownership opportunities for many residents. Currently, the Delaware State Housing Authority (DSHA) maintains 518 units of public housing as well as 902 Housing Choice Vouchers available for families and individuals with incomes at or below 80% of area median income.

Preserving the existing stock of affordable housing has become a steadily increasing challenge, compounding those of adding to the supply to meet the growing demand among the very poor and the working poor for whom the gap between wages and housing costs continues to widen. An increasing portion of scarce resources now must be applied to rehabilitate and maintain housing built in recent years. DSHA has preserved an estimated 1500 units during the past three years, and its budget request for the forthcoming fiscal year will make it possible to maintain 288 additional units of affordable housing and retain \$2.5 million in annual federal funds to Delaware. The state is working diligently with inadequate resources to hold onto its current stock and prevent the forced relocation of whole rental communities.

Clearly more is needed. Delaware has 2,627 units of housing with Section 8 assistance that expire by 2020. This only compounds the current problem of insufficient affordable rental housing in the state. The National Low Income Housing Coalition's recent report on this topic sums up the situation with this statement: *With the virtual elimination of federal resources for the construction or new public and assisted housing available to extremely low income people, maintaining previous years' federal investment in affordable housing is critical.*<sup>xxxvi</sup>

Over the past 30 years, the HUD budget has declined. Further reductions in the federal budget have been proposed for the coming year, affecting new Section 8 rental assistance, construction finance for rental housing, and the Community Development Block Grant program. The President's budget would result in a cut of 8% in HUD resources, with \$1 billion less for CDBG than in the FY06 budget. The USDA Rural Development programs have financed thousands of homes for low-income families over the past fifty years or more, with between 850 and 900 single-family units for homeowners built since 1991;<sup>xxxvii</sup> however, plans are for no new funds for the years ahead. These programs have been an important source of affordable mortgage finance for home buyers as well as for developers of affordable rental housing.

Delaware has 2,627 units of housing with Section 8 assistance that expire by 2020.

## Housing Development

A study done for the Delaware Housing Coalition <sup>xxxviii</sup> revealed that the state's housing needs at that time required an investment of \$965 million. This same study estimated that each dollar invested in affordable housing generates \$7 in economic output. Based on the state's needs assessment for 2003–2007, DHC proposed a five-year plan to utilize \$60 million. The study indicated that the DHC five-year plan – if funded – would have generated 3,400 new jobs, more than \$420 million in economic output, and \$43 million in tax revenue, more than compensating for the initial outlay.

The development challenge for Delaware is to respond to the expanding shortage of affordable rental housing for those of extremely low incomes and to make home ownership possible for working families of modest means. In the face of rising housing costs, it is those of lower-income—those who once aspired to self-sufficiency as renters or buyers of modest homes—who are being squeezed out of the market, even as our economy depends more and more on their work. Recent housing development has contributed to sprawl and to the attraction of retirees to the state without addressing the critical needs of its workforce.

Much employment growth is taking place in occupations which pay wages that are insufficient to meet housing costs. Jobs requiring only high school diploma and limited on-the-job training continue to pay less than the housing wage, thus hampering employer access to workers able to afford to live in Delaware.

How does Delaware compare with other states? The annual *Development Report Card for the States* published by the Center For Enterprise Development gives only Delaware and Connecticut a grade of **A** for their overall economic climate and for Delaware's high rate of home ownership. Nevertheless, there are significant weaknesses. Delaware ranks twenty-seventh in the nation in affordable public housing and forty-eighth in urban/rural income disparity. The change in average annual pay (2000–2004) was 15.8%, while housing costs—as reported above—increased much more.

The gap has grown — between those who have achieved their dream home and those whose hopes are still unfulfilled — with the wealthiest 20% of households earning an average of *eight times* the income of the poorest 20%.

We hope that the forecasts of faster growth in wages than in housing will prove true. <sup>xxxix</sup> Regardless, recognition of the need for affordable housing and of its economic impact may lead to policies which better balance Delawarean's needs for both housing and employment opportunities.

Every dollar invested in affordable housing generates \$7 in economic output.

A study done for DHC reveals that the state's current five-year housing needs require an investment of \$965 million.

A five-year investment of \$60 million would generate 3,400 new jobs, more than \$420 million in economic output, and \$43 million in tax revenue.

## Who Can Afford to Live in Delaware?

### Where Do We Go From Here?

- Assertively address, rather than react to, housing challenges
- Review and reform the way housing is administered and financed
- Designate adequate dedicated revenue for the HDF
- Prioritize the extremely poor and the severely cost –burdened
- Set ambitious goals with clear cost estimates

A number of daunting housing challenges face the Diamond State, and these are vying for attention and resources with other worthy human needs of the state’s citizens. In order to achieve the most efficient and beneficial results, Delaware should concentrate on at least the following:

#### TAKE STRATEGIC AND ASSERTIVE ACTION

Delaware lawmakers must acknowledge— and make a sustained effort toward— putting the state on a path which assertively addresses, rather than reacts to, the myriad challenges to affordable housing.

A gubernatorial initiative is needed to put Delaware in the best position possible to meet the future affordable housing challenges of the state, including an in-depth review of how we currently administer and finance affordable housing and what best practices will be most usefully adopted.

Reform in the structure, oversight, and strategic planning process of the Delaware State Housing Authority (DSHA) is required to enable it to meet critical needs and have optimal impact.

The Delaware State Housing Authority should use its impending five-year needs assessment to develop deliverable goals and cost estimates for their achievement. This would help to establish a statewide consensus, as well as a means of measuring our progress. It would also facilitate the affordable housing community’s ability to make its case for adequate resources.

Those employed in positions which contribute to our quality of life— including teachers, first-responders, healthcare workers, and service workers —must be able to purchase homes and thereby share in the economic opportunity they help to create. Economic development planning must link employment growth with the development of affordable housing. Pre- and post-homeownership education and financial literacy and fitness programs must be encouraged and funded to help households qualify for and maintain the best possible housing investments.

#### ASSURE ADEQUATE CONTINUAL FUNDING

Adequate, additional dedicated revenue should be designated for the Housing Development Fund (HDF) in order to meet state needs and leverage private investment in affordable housing which the state is now unable to attract. This additional funding needs to be adequate to allow Delaware to make a realistic strategic commitment to funding an array of housing options for all populations in need, most especially the extremely poor.

#### PRIORITIZE DELAWARE’S POOREST

A minimum amount (perhaps 30%) of the annual resources of the HDF should be reserved to meet the housing needs of the extremely poor.

Those who spend more than 50% of their income on housing and those earning less than 30% of median income require affordable housing and should be granted priority for assisted rental housing, with special emphasis on permanent supportive housing for the chronically homeless, individuals

with disabilities, and the elderly.

New construction of affordable rental units must be planned on a timetable that intentionally works toward the elimination of the current shortfall of 11,000 to 12,000 units. The financing and development of enough units annually to make appreciable inroads is an objective that should be established in state agency performance targets.

#### PRESERVE AND EXTEND AFFORDABILITY

Delaware should make it a priority to protect and preserve—or establish one-for-one replacement of—all units serving the very poor, below 50% of median income. This is a fruitful area for partnership with nonprofit agencies, whose missions position them perfectly for this work.

The community land trust (CLT) is a mechanism which provides affordable housing while preserving land affordability for future generations. Affordable housing on CLT land should become one part of the state's overall strategy to create permanent housing continuum.

#### PROMOTE COUNTY-LEVEL INITIATIVES

County councils should make affordable housing an essential component of the adequate public facilities necessary to support growth.

In light of this need, they should create flexible, productive, and affordable housing incentive programs that would also extend affordability and make our communities more inclusive racially, economically, and in terms of disability. Inclusionary zoning with meaningful incentives is required to make housing affordable and to preserve land and existing infrastructure; and county governments are advised to explore this option and the many current examples from other parts of the country.

County-level trust funds would also contribute resources to the furtherance of safe, decent, and affordable housing for all. County-wide trust funds for affordable housing development can be viewed as a contributing factor in local economic development, matching housing supply with the demand of employers for workers at modest wage levels.

#### SAVE MANUFACTURED HOUSING

Manufactured housing offers a cost-effective alternative to traditional housing construction and should be made real property and removed from its classification within the Department of Motor Vehicles.

The production and preservation of manufactured housing in resident-owned communities or community land trusts would increase security of tenure and make it possible for sound, conventional mortgage financing to provide home ownership to residents with modest incomes.

At a minimum, a law providing residents of manufactured home communities with notification of potential sale—and the right of first refusal—could facilitate a transition to greater resident ownership. The Relocation Trust Fund, properly restructured and capitalized, could leverage resident offers to acquire property and provide long-term housing affordability.

- Preserve or replace on a one-for-one basis all housing for the very poor
- Use the CLT model to preserve subsidy and make some affordability permanent
- Make affordable housing a pre-requisite of growth
- Create county-level affordable housing incentives and trust funds
- Take measures to preserve manufactured housing as an affordable housing option

## Who Can Afford to Live in Delaware?

## A: Employment and Housing Affordability

## Appendices

Job	Median Wage	Mortgage Affordable for Wage	Mortgage Affordable as % of Median House Price*	Rent Affordable for Wage	Rent Affordable as % of Fair Market Rent†
retail sales	\$23,900	\$99,650	44%	\$598	84%
cashier	\$18,000	\$75,000	33%	\$450	63%
waiter/food preparation	\$16,800	\$70,000	31%	\$420	59%
office clerk	\$24,500	\$102,000	45%	\$613	86%
customer service	\$30,500	\$127,000	56%	\$763	108%
bookkeeping	\$29,800	\$124,250	54%	\$745	105%
cook	\$21,300	\$88,800	39%	\$533	75%
licensed practical nurse	\$42,300	\$176,400	77%	\$1,058	149%
preschool teacher	\$22,100	\$95,150	42%	\$553	78%
elementary school teacher	\$49,500	\$206,400	91%	\$1,238	175%
pharmacy aide	\$20,400	\$85,000	37%	\$510	72%
manufacturing production	\$36,900	\$153,900	68%	\$923	130%
professional/business services^	\$51,800	\$216,000	95%	\$1295	183%
health services^	\$53,300	\$222,250	97%	\$1333	188%
construction	\$35,600	\$148,500	65%	\$890	126%
paramedic	\$32,000	\$133,400	59%	\$800	113%
janitor/maintenance	\$18,800	\$78,400	34%	\$470	66%
computer systems analyst^	\$66,300	\$276,500	121%	\$1656	234%
personal/health aide	\$20,300	\$84,650	37%	\$508	72%
social/human service assistant	\$27,000	\$112,600	49%	\$675	95%

\* Affordable mortgage assumes that 30% of income is available to pay principal and interest on a mortgage for 30 years at an interest rate of 6%. All values are rounded. A price of \$228,000 is used for this analysis. Fair Market Rent for a two-bedroom apartment in Kent County is \$709.

† Fair Market Rent for a two-bedroom apartment in Kent County is \$709.

^ An employment category in which the greatest number of jobs are expected to be created during the coming decade.

Workers in Delaware as a whole and in each county face considerable constraints in finding affordable housing as indicated in the following table: <sup>xl</sup>



## B: Wages, Home Prices, and Rents

Area	Number of Workers	Median Hourly Wage	Median Annual Wage	Mortgage Affordable for Wage	Median House Price	Mortgage Affordable as % of Median House Price (median price)	Rent Affordable for Wage	Fair Market Rent	Rent Affordable as % of Fair Market Rent
Statewide	417,500	\$14.99	\$31,179	\$130,000	\$228,000	57%	\$780	\$848	92%
New Castle	287,230	\$16.45	\$34,216	\$142,675	\$227,500	57%	\$855	\$923	93%
Kent	57,880	\$13.24	\$27,539	\$114,835	\$228,000	50%	\$688	\$709	97%
Sussex	70,650	\$11.57	\$24,066	\$100,350	\$279,900	36%	\$602	\$661	91%

It is likely that many households seeking housing have more than one wage earner. From the data above, we might assume that a household with two full-time wage earners will have sufficient income to afford a house at the median price in both New Castle and Kent Counties, but not in Sussex County. Delaware has 317,640 households, while employment data reports a workforce of 417,500 individuals. Using these figures, we may assume that the “average” household has 1.3 workers; but it is not useful to compute household income with such a figure.

The median household income is higher than the median wage. The following table compares median income for the state and its counties and computes the affordable house price, comparing it with the median price. It reveals that Sussex County is the most difficult area in which to purchase affordable housing: <sup>xli</sup>

## C: Household Median Income and Home Prices

Area	Household Median Income	Median House Price	Affordable House Price	Affordable House Price as % of Median Price
Statewide	\$65,774	\$228,000	\$274,265	120%
New Castle	\$72,100	\$227,500	\$300,650	132%
Kent	\$55,800	\$228,000	\$232,675	102%
Sussex	\$54,200	\$279,900	\$226,000	81%

Delaware has a very active level of movement in the housing sector. More than 50% of Kent County residents moved into their present housing in 2000 or later. This compares with over 45% in New Castle County and over 38% in Sussex County. <sup>xlii</sup>

## Who Can Afford to Live in Delaware?

## Notes

- <sup>ii</sup> County boards of realtors.
- <sup>iii</sup> American Community Survey 2005, US census.
- <sup>iv</sup> Affordability is based on 30% of income for rent or for mortgage principal and interest payment, plus \$150 per month for taxes and insurance for homeowners.
- <sup>v</sup> Delaware State Housing Authority.
- <sup>vi</sup> National Low Income Housing Coalition tabulations of 2005 American Community Survey.
- <sup>vii</sup> Delaware Department of Labor, Office of Occupational and Labor Market statistics, [www.oolmi.net](http://www.oolmi.net), *Delaware Wages 2005*.
- <sup>viii</sup> Center for Economic Development; data from American Community Survey, 2006.
- <sup>ix</sup> Assumes a mortgage of 95% of house price at 6% for 30 years, with \$150 per month for taxes and insurance.
- <sup>x</sup> Delaware Department of Labor, op.cit. for worker data.
- <sup>xi</sup> Sussex County Board of Realtors. See special Sussex County appendix for sub-county-level data and analysis.
- <sup>xii</sup> American Community Survey 2005, US census.
- <sup>xiii</sup> National Low Income Housing Coalition, Research Note #07-01, February 21, 2007. Extremely cost burdened means payment of more than half of income for housing.
- <sup>xiv</sup> Housing Production Report, Delaware State Housing Authority, February 2007, from US Census data.
- <sup>xv</sup> Trend report, National Association of Realtors, March 2007.
- <sup>xvi</sup> American Community Survey, 2006.
- <sup>xvii</sup> Ibid.
- <sup>xviii</sup> Delaware Department of Labor, Office of Occupational and labor Market information, [www.oolmi.net](http://www.oolmi.net), *Delaware Wages 2005*.
- <sup>xix</sup> First State Manufactured Housing Association shipping data reports, March 2007.
- <sup>xx</sup> Manufactured Housing Institute.
- <sup>xxi</sup> *Manufactured Homes: Market Facts 2005*, Foremost Insurance Group, provided by First State Manufactured Housing Association.
- <sup>xxii</sup> Delaware Manufactured Home Owners Association, telephone interview, March 20, 2007.
- <sup>xxiii</sup> American Community Survey 2006.
- <sup>xxiv</sup> Delaware Department of Labor, *Delaware Wages 2005*, op.cit.
- <sup>xxv</sup> American Community Survey 2005.
- <sup>xxvi</sup> National Low Income Housing Coalition, *Losing Ground in the Best of Times: Low Income Renters in the 1990s*, 2003, statistics from 2000 census.
- <sup>xxvii</sup> Data from 2003 American Community Survey, cited in *Who's Bearing the Burden? Severely Unaffordable Housing: An Examination of*

- National and State Affordable Housing Needs from the 2003 American Community Survey*, National Low Income Housing Coalition, 2004.
- <sup>xxviii</sup> Delaware State Housing Authority, Needs Assessment, Mullin & Lonergan Associates, Inc., 2003.
- <sup>xxix</sup> American Community Survey, 2006.
- <sup>xxx</sup> National Low Income Housing Coalition *Research Note #07-01*, February 21, 2007, based on American Community Survey. Fair Market Rent is a HUD determination of reasonable rent in the market.
- <sup>xxxi</sup> Ibid. Very low and extremely low income represents those earning less than half of the median income.
- <sup>xxxii</sup> *Poverty Increases and Median Income Decreases for Second Consecutive Year: Ranks of the Poor Increase by 3 Million Since 2000.* Center for Budget and Policy Priorities, 2003, cited in *Losing Ground in the Best of Times: Low Income Renters in the 1990s*, op.cit.
- <sup>xxxiii</sup> Delaware State Housing Authority Needs Assessment, op.cit.
- <sup>xxxiv</sup> American Community Survey 2005.
- <sup>xxxv</sup> State of Delaware figures for Federal Poverty Level applied to HUD data based on 2002 Census, op.cit.
- <sup>xxxvi</sup> *The Impact of Supportive Housing for Homeless People with Severe Mental Illness on the Utilization of the Public Health, Corrections and Emergency Shelter Systems: The New York, New York Initiative*, D. Culhane, S. Metraux, and T. Hadley, Center for Mental Health Policy and Service Research: University of Pennsylvania, Philadelphia, PA., cited in *Delaware's Ten-Year Plan to End Chronic and Reduce Long-Term Homelessness*, by Delaware Homeless Planning Council.
- <sup>xxxvii</sup> National Low Income Housing Coalition, *The Consolidated Plan: A Potential Tool in the Affordable Housing Preservation Toolbox*, February 2007.
- <sup>xxxviii</sup> Patricia Baker, USDA, telephone interview, March 15, 2007.
- <sup>xxxix</sup> *Investing to Meet Delaware's Affordable Housing Needs: An Economic Impact Analysis*, November 2004.
- <sup>xl</sup> TREND report, National Association of Realtors, 2007, op.cit.
- <sup>xli</sup> *Delaware Wages 2005*, Delaware Department of Labor, Office of Occupational and Labor Market Information, found at [www.oolmi.net](http://www.oolmi.net).
- <sup>xlii</sup> Ibid.
- <sup>xliii</sup> U.S. Census Bureau, *American Fact Finder*, 2005

## Who Can Afford to Live in Delaware?

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### Housing Resources

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

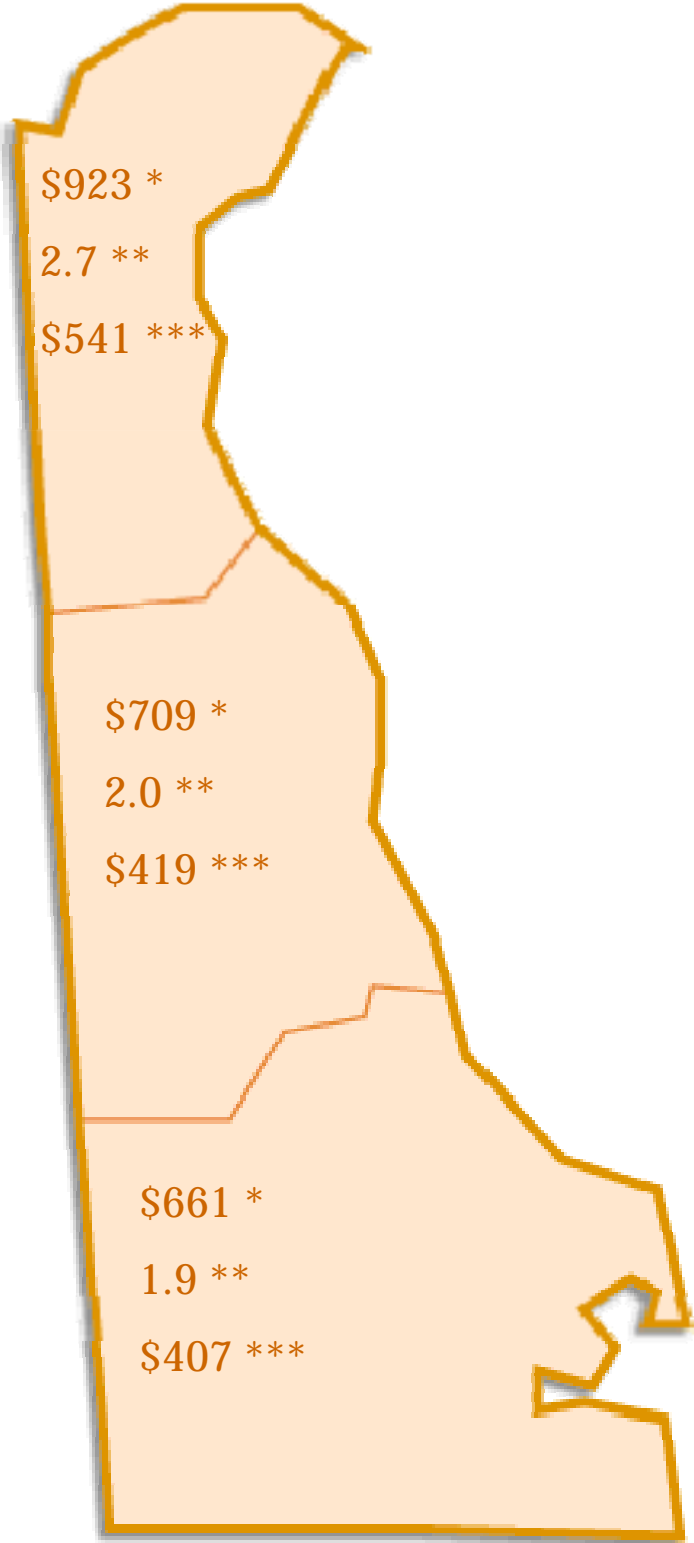
Delaware Housing Coalition: [www.housingforall.org](http://www.housingforall.org)  
Delaware Community Reinvestment Action Council: [www.dcrac.org](http://www.dcrac.org)  
Delaware Manufactured Home Owners Association: [www.dmhoa.org](http://www.dmhoa.org)  
Delaware State Housing Authority: [www.destatehousing.com](http://www.destatehousing.com)  
Delmarva Rural Ministries: [www.drminc.org](http://www.drminc.org)  
First State Manufactured Housing Association: [www.fsmha.org](http://www.fsmha.org)  
Homeless Planning Council: [www.hpcdelaware.org](http://www.hpcdelaware.org)  
NCALL Research, [www.ncall.org](http://www.ncall.org)  
University of Delaware: [www.udel.edu/ccrs/](http://www.udel.edu/ccrs/)

# Who Can Afford to Live in Delaware?

## RENTERS

By County —

- \* 2006 Fair Market Rent for a 2-Bedroom Apartment
- \*\* Full-Time Jobs Necessary at Minimum Wage to Afford a 2-Bedroom Apartment
- \*\*\* Rent Affordable to an Extremely Low-Income Household



Front Cover Statistics: County Boards of Realtors, Delaware State Housing Authority, U.S. Dept. of Housing and Urban Development. Affordability is calculated for a household with an income of 80% of Area Median Income with a 30-year mortgage at 6%, monthly taxes and insurance of \$150, other monthly debt of 10% (car loan, credit cards).

Back Cover Statistics: Out of Reach 2006, National Low Income Housing Coalition. Minimum wage in Delaware is \$6.65. An extremely low income household has an income at or below 30% of the Area Median Income.