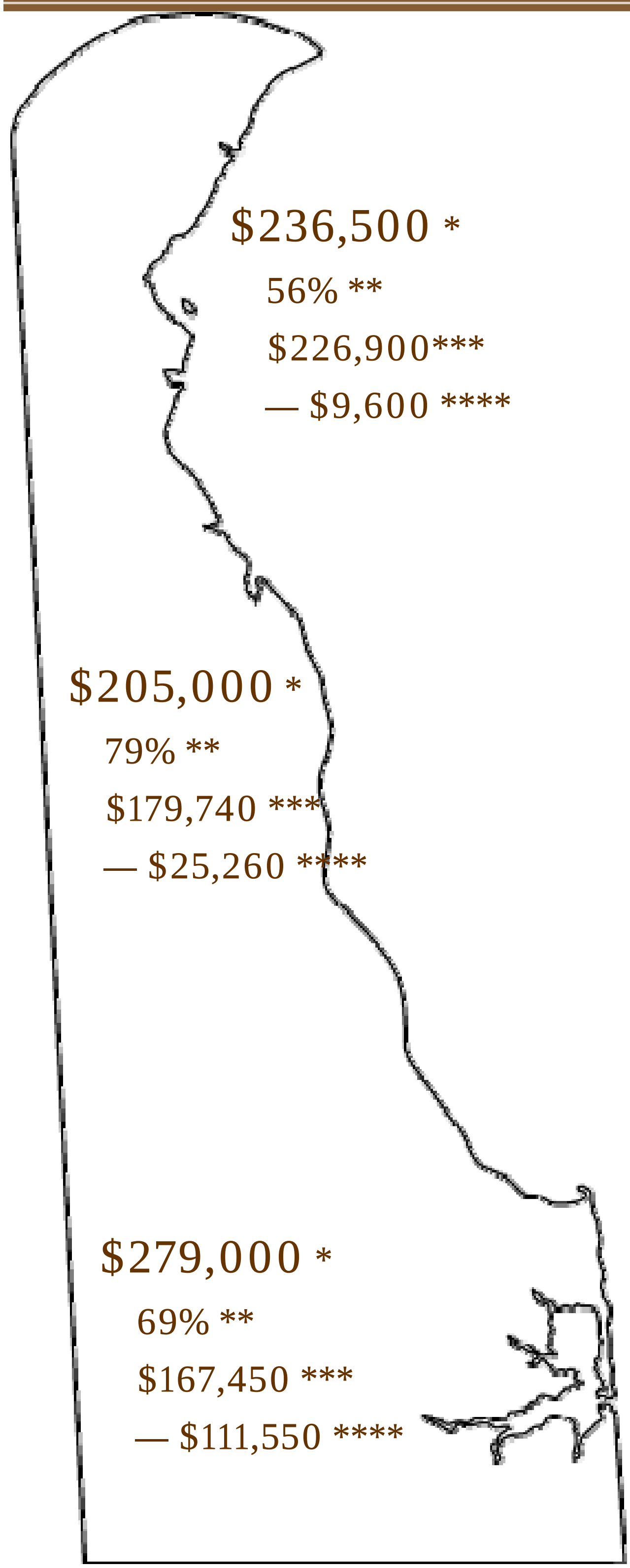
Who Can Afford to Live in Delaware?



June 2008
Second Annual Report

HOMEBUYERS

By County —

* Median Home Price by County
** % Increase since 2000
*** Price Affordable to Household with Low/Moderate Income
**** Gap Between Median and Affordable Prices

Summary

Homeownership

- In early 2008, the median purchase price for a home in Delaware ranged from $205,000 in Kent County to $279,000 in Sussex.
- Price increases since 2000 range from 56% in New Castle County to 79% in Kent, with Kent County's median price falling from a high of $228,000 to its present level of $205,000.
- Median household income in Delaware ranges from $55,200 in Sussex County to $71,600 in New Castle (source: HUD).
- To purchase a median-priced house ($237,000), Delaware residents require annual income of at least $62,800. This means that only in New Castle County can residents earning the area ***median income*** afford to become homeowners.
- The state's homeownership rate is 76%. However, only 41% of Hispanic families own their own homes. African Americans have a 50% rate of home ownership.

Incomes

- Only an estimated 61,250 workers– or 15% of total workers — earned $62,800 or more, enough to afford the typical house price of $237,000.
- 49,669 Delaware families pay 30% or more of their income for their ***mortgage*** and other ***housing costs.***
- 47,532 Delaware families have incomes below $35,000, making it difficult for them to afford to buy or to rent adequate housing.
- Over 200,000 workers have median wages below that needed to rent a two-bedroom apartment at the ***Fair Market Rent (FMR)*** in the most populous county.

Renters

- The Fair Market Rent for a two-bedroom apartment ranges from a low of $685 in Sussex County to a high of $932 in New Castle–an increase of as much as 20% since 2004.
- A worker in Delaware must earn $16.61 per hour–or $34,542 annually–to afford an average two-bedroom apartment.
- 51% of all workers in New Castle and Sussex Counties and 59% of all workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.
- Delaware has 2,627 units of housing with Section 8 assistance that expire by 2020.

Poverty and Homelessness

- Over 1,800 Delawareans are homeless on any given night, with nearly 7,000 state residents experiencing homelessness during the year.
- A disabled person dependent on SSI cannot afford a one-bedroom apartment anywhere in the state.
- The “efficiency apartment” (“zero-bedroom”) housing wage stands at $12.58 for Delaware, 176% of the state minimum wage, an annual salary of $26,157.
- 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.

Housing Burden

- 40,000 families pay 30% or more of their income for housing costs or are on waiting lists for assisted housing.
- From 2000 to 2005 there was an increase of 6,273 extremely low-income households with cost burden. This is a 30% increase in five years.
- ELI renter households with severe cost burden -- cost burden exceeding 50% of income on housing -- increased by 3,521, a 39.0% increase.
- Cost-burdened ELI homeowners increased by 5,476, a 61.3% increase.
- There are almost 28,000 extremely low-income households in Delaware — 13,422 rental units and 14,414 owner-occupied units — in need of affordable housing due to cost burden.

Housing Predicament

Introduction

Greater Insecurity

The past year has witnessed an eclipse of the perennial housing problem, housing costs pulling steadily away from incomes. Due to massive upheavals accompanying the epidemic of ***foreclosures****, the ***subprime*** mortgage meltdown, and the credit and financial regulatory repercussions in the US and globally, attention has turned to a new strata of victims of the housing market.

Forgotten are those who never had an opportunity to take advantage of the recent period of housing boom, along with those who are permanently disadvantaged within the housing continuum.

At the state level, these concerns were aggravated by a bleak forecast for the current ***fiscal year*** and an even worse one for next year.

Needed reminders of the ***affordable*** housing problem were supplied by the release of the new statewide housing needs assessment by the Delaware State Housing Authority (DSHA), as well as the release of a DHC report on extremely low-income housing needs.

The issue of housing affordability in Delaware has changed in the past year from one of access to housing in a heated, high-priced market to one of access to long-term financing. In the early years of this decade, Delaware experienced housing price increases that fueled speculation. At the same time, low interest rates expanded access to home ownership and to higher-priced housing, creating considerable debate concerning land use, development, and infrastructure.

A year ago, the high cost of housing was most prominent on the list of issues for housing advocates. Now, this concern is overshadowed by the problem of insecurity, as those of modest means struggle to retain their homes, purchased by subprime and adjustable-rate mortgages.

They join a growing list of groups of insecurely housed Delawareans, most of whom are much less well known, including a growing number of renters and homeowners who are *cost-burdened*, tenants in assisted rental housing in need of preservati0n, subsistence-wage workers living paycheck to paycheck, elderly homeowners trying to make needed major repairs in order to stay in their homes, ***manufactured home*** owners living on leased land in ***investor-owned communities***, and homeless families working to make the transition to a “place of their own.” In the face of economic troubles, increasing numbers of Delawareans risk foreclosure, homelessness, and housing ***cost burden***.

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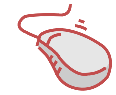
* Please see the Glossary for definitions of all italicized words.



How Do We Define "*Affordable* Housing?"

We use the widely-accepted measure of 30% of household income being available for rent and utilities or for mortgage payment, property taxes and insurance. This is a simple, and somewhat arbitrary standard, which fails to account for the true impact of housing costs for many families. Statewide, the median household income is $67,191 (NLIHC, 2008). Assuming that 30% of income is available for housing, and given other ***assumptions***, a family at the median may be able to afford to buy a house priced at $255,000. Those of moderate income–defined as households with annual incomes at or below 80% of the median–earn $53,750 or less and can afford housing priced at or below $209,000. This compares with a typical house price of $237,000 statewide (NHC, 2008).

Of course, household income varies widely. Median household income ranges from $55,100 in Sussex County to $72,100 in New Castle. A household earning only 30% of area median income in Sussex County can afford only $414 a month for housing, making little or nothing "affordable" except for subsidized units and leaving only $965 for all other expenses.

A Sussex household earning less than 30% of median income has only $16,530 per year and can afford only $414 a month for housing.

This report assembles data relevant to housing affordability, analyzes this data to provide a comprehensive picture of housing demand and access, and makes recommendations to guide advocates and policymakers concerned with housing the residents of the First State.

The Changing Picture of Housing Costs

Homeownership

Delaware ranks among the highest in the nation in its share of homeownership. In fact, it is 6th in national rankings (CFED, 2008) though the rate has fallen from its peak of 77.2% in 2003 to 75.8% in 2006 (CFED, 2008). Reaching the nearly 25% who do not own their own homes is difficult, as most cannot afford to purchase their own home without assistance. Many, with tarnished credit, have been attracted to the sub-prime mortgages which have too often been a path to foreclosure. The 79% rate of home ownership by whites "far outstrips that of minorities," (CFED, 2008) who have an ownership rate of just 51% despite their large share of Delaware's total population. This same study, while ranking Delaware high in home ownership also reports that Delaware is 38th in the nation in terms of housing affordability, 34th in the median value of mortgage debt, and 24th in the rate of mortgage foreclosures.

Only an estimated 61,250 workers– or 15% of total workers — earned $62,800 or more, enough to afford the typical house price of $237,000.

Delaware's housing stock remains predominantly single-family. 55,582 single-family housing units were built in the ten years ending with 2007 compared with a total of 8,793 multi-family units. Peak housing production was in 2005, with a total of 9,831 new units built (DSHA, 2007). Median home prices during the fourth quarter of 2007 ranged from $205,000 in Kent County to $236,500 in New Castle and $279,000 in Sussex. The state's housing market was most

30,400 owner households pay more than 35% of their income for housing.

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. (*ACS*, 2006) 48,617 new housing units were produced during this six-year period alone, making it perhaps the most active period of housing construction the state has ever seen.

The predominance of single-family housing and the desire of most to acquire their own detached home is reflected historically in the state's land use policies and planning. A recent Delaware State Housing Authority report echoes this. "The preference for detached single-family housing in particular is both reflected in and stimulated by market availability and many local land use policies that promote the housing style over higher-density, multifamily dwellings (DSHA, 2007b)."

Kent County has had an increase in housing prices averaging nearly ten percent annually since 2000. Both Dover and Wilmington are currently among the nation's ***metropolitan statistical areas (MSAs)*** determined to have overvalued housing markets. Only fifty metro areas in the nation have a higher rate of overvaluation that than of Dover (NAR, 2008). Its housing prices were regarded as exceeding real values by as much as 28% in 2006 and 2007.

Demand for housing has been high in the state in recent years, creating low vacancy rates. Many retirees were attracted to the state's low costs and taxes; and low interest rates and abundant mortgage financing opened the door of opportunity to many home buyers. Of the 229,860 owner-occupied housing units in 2005, only 1.6% were available for sale. Nearly 70% had a value of more than $150,000, while less than 17% cost less than $100,000. The greatest increase in production during the period 2000-2005 was in housing priced in excess of $500,000. A comparison of the 2005 values of owner-occupied housing to median family income reveals that the following share of housing was affordable to various income levels in all three counties (DSHA, 2007b):

Table 1: Share of housing affordable by income level

	30%MFI	50%MFI	80%MFI	100%MFI	115%MFI
New Castle	4%	11%	24%	44%	44%
Kent	14%	19%	34%	46%	79%
Sussex	12%	12%	32%	37%	49%

Source: DSHA, Statewide Housing Needs Assessment 2008-2012

An estimated 8,137 homeowners are extremely cost burdened, paying more than 50% of their income for housing.

According to calculations by DSHA, a New Castle County household earning 80% of the median family income, while qualifying for a mortgage of $163,996, can afford only 24% of the supply of housing available. In Kent County, a household earning 80% of the median can qualify for a mortgage of $130,387, giving them access to 34% of the housing stock. In Sussex County, the same percentage of median income makes it possible to qualify for a mortgage of $117,621, representing 32% of the housing stock.

The share of cost-burdened homeowners increased drastically between 2000 and 2005. The increase was 460% in Kent County, where the biggest burden was among those with annual incomes below $20,000. Over 62% of Delaware's cost-burdened homeowners have incomes less than 80% of the median. While home construction boomed during this period, there was a decline in opportunities for those of lower income to become homeowners, as prices rose beyond their reach (DSHA, 2007b).

Early 2008 figures reveal that the median price for housing sold in Kent County was $210,000, while the median was $230,000 in New Castle County (Weir, 2008). In Sussex County, the median sales price was $258,500, indicating a decline in prices in two of the three counties:

Households at the median income level can afford to purchase housing in

Table 2: Housing price changes and affordability

	Median Price 4th Quarter 2007	Median Price 1st Quarter 2008	Price affordable to Low/Moderate Income (2008)	2008 Price Gap Difference between median price and affordable price
New Castle	$236,500	$230,000	$226,900	- $3,100
Kent	$205,000	$210,000	$179,740	- $30,260
Sussex	$279,000	$258,500	$167,450	- $91,050

Source: DSHA, Statewide Housing Needs Assessment 2008-2012

New Castle County, where incomes are highest. In Kent and Sussex Counties, those earning the median income fall short of the capacity required to purchase median-priced homes. Kent County households with moderate incomes (80% of the median, or annual income of $46,950) must search for housing that is at least $30,000 lower in price. Sussex County households are the most challenged to find housing they can afford, with moderate-income families able to afford only 60% of the median priced-house in 2007. In light of the decline in Sussex County prices in early 2008, a moderate-income household could afford perhaps 65% of the median price.

Whether rising or falling, prices alone are not an indication of affordability. House prices are best put into perspective when compared with incomes on the part of those likely to wish to purchase that housing. Housing prices have risen at a rate faster than that of incomes in all three counties. In New Castle County, for example, incomes grew by 37% between 2000 and 2007, while housing prices rose 56%. In Sussex, housing costs increased by nearly 70% in contrast with a 40% rise in income. The following chart compares income and housing prices in all three counties, along with the ratio of median housing prices to median incomes (DSHA, 2007b):

Table 3:
Comparison of Median Income and Median Housing Prices 2000 and 2007

	Median Household Income		Median Housing Price		***Home Price/ Income Ratio***	
	2000	2007	2000	2007	2000	2007
New Castle	$52,514	$72,100	$151,600	$236,500	2.9	3.3
Kent	$40,950	$58,700	$114,575	$205,000	2.8	3.5
Sussex	$39,208	$55,100	$164,650	$279,000	4.2	5.1

Source: DSHA, Statewide Housing Needs Assessment 2008-2012

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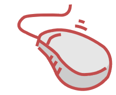

47,532 Delaware families have incomes below $35,000, making it difficult for them to afford to buy or to rent adequate housing.

In New Castle County, incomes grew by 37% between 2000 and 2007, while housing prices rose 56%. In Sussex, housing costs increased by nearly 70% in contrast with a 40% rise in income.

Only 41% of Hispanic families own their own homes. African Americans have a 50% rate of home ownership.

Sussex County's ratio of home prices at nearly six times income puts this county into the range classified as "***severely unaffordable***," while ratios in Kent and New Castle are "***moderately unaffordable***." A ratio of 2.5 to 3.0 provides what may be termed as an "affordable" range.

Since 2005, the average income of DSHA-approved applicants for the first-time homebuyer program has not changed, though real income (due to inflation) has declined 5%. The following table compares the average mortgage amount approved for these applicants during the first quarter of 2007 with the average price in the market:

Table 4: Mortgage amounts for DSHA clients and average house prices

	mortgage amount	average price
Delaware (statewide)	$183,854	$189,131
New Castle County	$184,483	$190,391
Kent County	$186,148	$188,265
Sussex County	$172,758	$180,435

Source: DSHA, Statewide Housing Needs Assessment 2008-2012

Reaching minority families with home ownership opportunities should be a key feature of any program, as their rates of ownership are significantly below those of the majority culture. In particular, only 41% of Hispanic families own their own homes. Their median family income ($43,547) lags behind, as well, compared with $52,499 for the state as a whole in 2005 (ACS, 2005). In comparison, African Americans have a 50% rate of home ownership.

Substandard Housing and Home Repairs

Substandard units are ones "deficient in at least two structural systems and in need of substantial rehabilitation in order to make them structurally sound, safe, and habitable." There are an estimated 12,949 substandard housing units in Delaware, 8,135 owner units and 4,814 renter units (DSHA, 2007b).

There are an estimated 12,949 substandard housing units in Delaware.

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.

Necessary home repairs to vital systems continues to be an increasing problem for cost-burdened home owners, especially the elderly. Without the means to make these repairs, a homeowner is threatened with a situation which can eventually lead to homelessness.

Foreclosures and Ownership Changes

Delaware's median housing price is among the highest in the nation. Over the decade 1995–2004, the median housing price in Delaware increased at the country's second-highest rate, only behind that of Massachusetts. For many, buying a house is a challenge; unfortunately, holding onto a home has become a challenge for many as well. During the period 2000–2005, there was a 52% increase in mortgage foreclosures in Delaware, with homes in foreclosure numbering 11,763 (TRF, 2006). 17% of these were purchased with two or more loans, while 34% made no down payment or borrowed more than the purchase price of the home. 17% also had adjustable mortgage interest rates or balloon payments, while 22% of buyers purchased their home from someone other than the homeowner–including a builder, bank, or LLC.

Over the decade 1995–2004, the median housing price in Delaware increased at the country's second-highest rate, only behind that of Massachusetts.

46% of those in foreclosure during the period of study lost or sold their home. Kent County had, proportionately, the largest increase in foreclosure filings. For the state as a whole, a study covering the period 2000 to 2005 concluded: "Increased consumer access to mortgage products that allow for lower down payments, lower savings balances, higher loan-to-value ratios and lower credit scores to buy a home may make long-term homeownership for some people (especially those of modest means) unsustainable (TRF, 2006)."

The State's Deputy Bank Commissioner for Consumer Affairs expects foreclosures to peak in mid–2008, with a 50% increase in foreclosure sales for 2008 as well. A total of 4,000 homes which currently are seriously delinquent in their mortgage payments could be lost to Delaware families as payments increase for those already struggling to meet their housing expenses. 7,400 homes in Delaware have sub-prime mortgages (Kelly, 2008). Not all foreclosures affect sub-prime loans: Many adjustable-rate mortgages were made in 2005 and 2006, most of them with low rates for the initial two years. As their rates adjust upwards two years later, there is a corresponding rise in foreclosures as payments begin to burden homeowners to a serious extent. Many borrowers would not have qualified for mortgages at the higher rate automatically applied at the end of the initial two years. With prices falling, home sales are not a solution. Foreclosures occur throughout the state but disproportionately affect New Castle County residents: While 54% of the state's owner-occupied homes are located there, 76% of foreclosures to date have occurred in New Castle County compared with 17.4% in Kent and 6.5% in Sussex.

For many families, the struggle for home ownership does not end with its purchase. "Many owners cycle in and out of foreclosure proceedings, creating a pool of owners who are just barely maintaining homeownership and constantly in a precarious financial situation (DSHA, 2007b, 201)."

With regard to foreclosures, Delaware is keeping pace with the national trend. According to the Mortgage Bankers' Association, just over 2% of all mortgages were in foreclosure at the end of 2007–an all-time high. An additional 6% were delinquent but not yet in foreclosure (TWP, 2008). The problems resulting from mortgage foreclosures do not end with the disposition of affected homes: Economic growth will decline as a result of the mortgage crisis. Figures for Wilmington are included in those for the Philadelphia metropolitan area, which expects to lose 0.6% of economic output. Dover's data stands alone and stands out, with over $35 million in expected losses in the local economy (USCM, 2007).

Foreclosures occur throughout the state but disproportionately affect New Castle County residents.

Manufactured Housing

According to the Delaware Manufactured Home Owners Association, ground rent ranges from $350 to more than $2,000 per month.

Although sorely troubled by the critical issue of *security of tenure*, manufactured housing continues to be the affordable housing product of choice for thousands of Delawareans. It is less expensive per square foot than traditional forms of building construction; however, issues of land rent and the lack of control over land costs for many manufactured housing residents in the state have come into public view during the past year.

Pre-owned manufactured homes in Delaware have an average price of $56,340 for an average size of 1,264 square feet. The average home was built in 1999, indicating that many homes are relatively new. Sites containing manufactured homes average 194 lots. Those for sale range in price from $15,900 to $94,000 plus the cost of ground lease, with financing available for periods up to 30 years (Allen, 2008). 634 new manufactured homes were acquired in Delaware during 2007 (Allen, 2008).

Nationwide, 49% of manufactured homes are situated on the homeowner's property (FIC, 2005). In Delaware, over half of the 50,000+ manufactured homes are located in investor-owned communities or on other leased land. Delaware has six age-restricted manufactured housing communities and 93 open to all ages. At issue is the property owner's ability to raise ground rent without limitation, causing some homeowners concern about rising costs of maintaining their home and the possibility of being priced out of their communities.

In 2003, the Delaware Relocation Trust Fund was established to assist tenants in manufactured housing communities whose owner changes land use or converts the manufactured housing community to a ***condominium*** or ***cooperative***. It also assists owners with the disposal of abandoned homes or those not able to be relocated. To generate revenue for these potential costs, the Fund charges $3 monthly—half each to the landlord and to the tenant in communities in which land is leased. An additional Manufactured Housing Enforcement Fund was established with $96,000 in donations from four community owners. This latter fund is operated by the Community Legal Aid Society, Inc. to assist in the resolution of issues arising in manufactured housing communities (Allen, 2008).

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

The Delaware Manufactured Home Owners Association (DMHOA) estimates that between 40,000 and 50,000 Delaware households reside in manufactured housing on leased land (Speraw, 2008) but admits to a difference in data with industry representatives, who count 12,000, and with DSHA. Lot rents in Sussex County range from $350 per month up to $2,000 or more, with costs lower outside of resort areas. DMHOA reports that 300 manufactured housing communities have paid into the Relocation Trust Fund, while 44 did not report their payment and another 60 to 70 communities have been identified as ones which should pay in. Six communities have already been assisted with their residents' relocation, and DMHOA reports that the fund maintains about $2 million to assist others.

DSHA reports that during 1993–1999, 23% of the growth in home ownership in the state was by those purchasing manufactured homes (DSHA, 2007b). Average cost of construction for manufactured units was only $39.06 per square foot compared with $90.63 for site-built homes. Appreciation of homes has been found to be comparable to that of site-built homes. In Delaware, DSHA reports 157 manufactured housing communities on leased land, with a total of

21,500 units in 2005 (Speraw, 2008). DSHA also advises that manufactured homes have a high rate of default and a high foreclosure rate of 12%.

It is worth noting that the median sales price for a manufactured home in Sussex County is only $74,500, or less than 29% of the median sales price of a site-built home. If financing were available at the same terms (and assuming lot rent of $350), a manufactured home on privately leased land could be affordable to those at 67% of the county median income.

When notified of the desire to sell a community, residents have a year to vacate. Notifications of rent increase must be made 60 days in advance and can take place only once a year. 700 households have been notified of their need to vacate three Sussex County communities in which land is being sold, putting a strain on these homeowners who must identify other sites in a competitive market. These communities are mobilizing to put themselves in the position of ***resident-owned communities***, a form of tenure which has had remarkable success in other states and has led to stable and often flat ground rents (Carsey, 2005).

Resident owned communities offer a form of tenure which has had remarkable success in other states and has led to stable and often flat ground rents.

The recent experience of one “trailer park” in Camden typifies the experience of older manufactured housing community residents: There, the owner recently notified residents of the property’s sale. 48 low-income, mostly elderly residents own and occupy trailers that are 40 to 50 years old. They pay $260 per month for ground rent and can receive a maximum of $1,500 from the Relocation Trust Fund to assist them to move. They cannot move their old trailers and cannot afford to move elsewhere except for ***assisted housing***; however, they have been advised that there is a two-year wait for senior housing. The sale of this and other older communities will add to the strain on already-overtaxed assisted housing programs.

Pending legislation would insure the right of first refusal for tenants of manufactured home communities. Measures such as this could give manufactured home owners some course of action in the face of an impending sale of the land beneath their community and the threat of destruction of the community, loss of equity, and household dislocation. This legislation would also set the stage for leveraged private sector investment in community stability, by defining the legal procedures and protections in place.

The right of first refusal could give manufactured home owners some course of action in the face of an impending sale of the land beneath their community.

It is correct, as some argue (PRB, 2004), that those in privately-owned communities who pay rent for their lots “live at the mercy of owners” of these communities and that owning a home on leased land is only “half the American dream.” There is, however, a way for this sector of Delaware’s housing to be an affordable, market-sensitive solution to the housing needs of many of the state’s households. The issue hinges on the creation of secure tenure of manufactured home owners.

Two-Bedroom Fair Market Rents range from $685 in Sussex County to $743 in Kent and $932 in New Castle County.

Rental Housing

DSHA finds that approximately 25,000 Delaware households are “at risk” in terms of their housing: They either pay more than 30% of their income for rent or are on one or more waiting lists for assisted housing–or face both high rents and the wait for more affordable housing. It estimates that 1,489 new supportive housing units and 1,000 rental subsidies are required to meet the “critical needs” of the homeless or those at risk of becoming homeless. 4,604 assisted rental units have expiring contracts, while 2,259 need substantial rehabilitation. These 6,863 units requiring assistance represent half of Delaware’s assisted housing stock (DSHA, 2007b).

Recent studies estimate that in 2005 there were 27,836 extremely low-income (ELI) households needing affordable housing. These households earn 30% or less of the area median income. Many are cost burdened, paying more than 30% of their income for housing. The number of cost-burdened households in this income category increased by 6,273 during the period 2000-2005. This represented a 30% increase in cost-burdened extremely low-income (ELI) households, compared with total population growth of 6% (CCRS, 2007). The study notes that “...only about half of ELI households reside in housing that is affordable at their income level.” Here is how the numbers look for cost-burdened ELI households by county:

Table 5: Housing cost burden for extremely low-income households

	Cost-burdened ELI renters	Cost-burdened ELI owners	Total
Delaware	13,423	14,414	27,836
New Castle	9,595	6,529	16,124
Kent	1,974	2,932	4,903
Sussex	1,854	4,980	6,834

Source: DSHA, Statewide Housing Needs Assessment 2008-2012 DSHA

51% of all workers in New Castle and Sussex Counties and 59% of all workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.

Half of all ELI households are rent burdened; indeed, this group represents nearly half of all rent-burdened households in the state and three-quarters of those with a severe rent burden that necessitates more than half of household income.

The burden for single female heads of household is particularly acute: 8,156 affordable units are needed for ELI households headed by women. 13,423 total units are needed for ELI households, with the largest share (5,310 units) needing three bedrooms to accommodate larger families. Half of all assisted rental units are occupied by eligible residents whose incomes exceed 30% of the area median. This means that sufficient assisted units exist if they were to be made available only to this lowest income category. The situation is worst in Kent and Sussex Counties, where only 25 units of affordable housing are available to every 100 ELI households.

Rent increased along with housing prices during the 2000-2005 building boom. While inflation totaled 13.2%, rent increased more than 24% during the period. The largest increase in rental dwellings was among those with monthly rents over $1,000; conversely, there was a decline in the number of units available to rent at prices below $750 (DSHA, 2007b).

By 2005, the ***American Community Survey*** reported that 42.5% of all renter households were cost burdened despite the existence of 13,615 assisted rental units affordable to those of low income. Things could get worse before they improve: Over a third of the stock of assisted rental housing may be lost to market conversions by 2012 unless plans and resources are put into place to address this need.

According to the recent DSHA report, the percentage of rental housing affordable to those at various income levels shows affordable rentals are mostly for those with incomes at or above the median:

Rent is a burden to many Delaware families above the lowest income levels, as well. While over 40,000 households pay 30% of their income or more for

Table 6: Rental housing affordability by income level

	30%MFI	50% MFI	80%MFI	100% MFI	115%MFI
New Castle	11%	73%	95%	100%	100%
Kent	19%	51%	81%	97%	100%
Sussex	26%	60%	82%	99%	100%

Source: Delaware State Housing Authority, Statewide Housing Needs Assessment 2008-2012

rent, it is estimated that 30,400 pay more than 35% of their income. Over 12,000 renter households earn more than 30% of the area median income but are cost-burdened.

Data on wages and rents may be compared to illustrate their relationship in all three counties (DDOL, 2006):

Compared with the picture of wages and housing affordability one year ago, conditions have remained the same in Kent County, worsened in New Castle,

Table 7: Hourly wages and rental housing affordability

	Median hourly wage	FMR for 1-bedroom unit/ wage required		FMR for 2-bedroom unit/wage required	
New Castle	$17.60	$781	$15.01	$932	$17.92
Kent	$13.90	$671	$12.90	$743	$14.29
Sussex	$12.12	$617	$11.85	$685	$13.17

Source: Source: Delaware Department of Labor, Office of Occupational and Labor Market Information for median wages; *Out Of Reach 2007–2008*, National Low Income Housing Coalition, Washington DC for FMRs.

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40,000 families pay 30% or more of their income for housing costs or are on waiting lists for assisted housing.

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

Table 8:
Number and share of workers earning less than the median hourly wage

	Median hourly wage	Number of workers	Number of workers earning less than median
New Castle	$17.60	291,420	141,600
Kent	$13.90	57,810	26,180
Sussex	$12.12	72,930	35,130

Source: Delaware Wages 2006, Delaware Department of Labor, Office of Occupational and Labor Market Information

and improved in Sussex County; however, it remains true that 59% of workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.

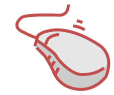
The American Community Survey reported that gross rent in Delaware was $793 per month–an increase of 24.1% since 2000. If rent had increased only at the rate of inflation, monthly gross rent would have risen to only $724. This $793 rent is affordable to those working 40 hours a week at the hourly rate of $15.

Table 9: Number and share of workers earning less than the housing wage

	Two-bedroom housing wage	Number of workers	Number of workers earning less than housing wage
New Castle	$17.92	291,420	142,380
Kent	$14.29	57,810	27,860
Sussex	$13.17	72,930	36,720

Source: Source: Delaware Department of Labor, Office of Occupational and Labor Market Information for median wages; *Out Of Reach 2007–2008*, National Low Income Housing Coalition, Washington DC for FMRs.

Waiting lists remain long for assisted rental housing throughout the state: DSHA has a waiting list of 5,044 households. This includes 3,406 eligible for the Moving To Work program and 1,538 considered elderly or handicapped. The New Castle County Housing Authority has processed all but about 200 applicants for housing ***vouchers*** (Whaley, 2008; NCCCS, 2008). According to the recent DSHA needs assessment (DSHA, 2007b), Wilmington has 933 on the waiting list for public housing and 1,386 for vouchers, while Newark has 449 housing voucher applications. Downstate, Dover has 461 applicants for public housing and 409 for vouchers. This same needs assessment notes that over 2,000 households are on the waiting list for assisted housing, while demand for affordable rental housing between the years 2008 and 2,012 is for 1,489 new



units. DSHA estimates a total demand for various rental housing waiting lists statewide of 6,751, broken down by county as follows:

- Kent 1928
- New Castle 3765
- Sussex 1058

DSHA needs $8 million in its next fiscal year budget to protect 252 homes for 680 people.

Protecting Federally Subsidized Rental Homes

This fiscal year, the Delaware State Housing Authority (DSHA) is using a special allocation of $7.5 million to save three rental communities. The rental ***preservation*** efforts of DSHA during the current year have protected these rental communities and their federal subsidies:

- Compton Apartments, Wilmington
- Capital Green, Dover
- Huling Cove, Lewes

DSHA has need of an additional $8 million next year. An $8 million investment will protect 252 subsidized homes for 680 people, as well as preserving $2.3 million in annual federal housing subsidies, a total of $69 million over 30 years.

Delaware needs to spend this money to protect the current subsidized housing asset in order to maintain the federal subsidy. The age and condition of buildings demands re-investment. The federal subsidy contracts are expiring and will not be renewed if the condition is substandard. In some cases, the state funding is required to meet basic health and safety standards.

The dollars are used primarily for basic maintenance to avoid deterioration for some essential rehabilitation and to meet federal standards. The state dollars leverage a high percentage of private (local bank loans and investments) and federal dollars. Dollars are typically used as deferred second mortgage loans in conjunction with private loans and investments to complete needed renovations and, where necessary, replace existing owners with new owners

Communities are chosen by assessing the financial history and prospect for future financial stability, the ability to correct any problems with the physical condition (annual inspections by HUD, DSHA), and the readiness of the owners and sufficiency of resources to save this rental community.

These communities are in crisis due to the confluence of two factors: rents inadequate to cover the debt and units physically deteriorating from reasonable aging of construction.

These rental communities combine the virtue of being able to serve the extremely low-income with an ability to maintain for Delaware increasingly rare federal subsidy dollars. These two characteristics make it imperative that the state continue to do all in its power to save these homes.

These homes serve the extremely low-income, as well as bringing the state $2.3 million in annual federal housing subsidies.

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

Homelessness and Housing Needs

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 2006 Point-In-Time study of the homeless undertaken by the Homeless Planning Council of Delaware counted 1,834 homeless individuals households (HPC DE, 2006), 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. Because the nature of their homelessness is chronic, they require a disproportionate amount of the resources available for temporary and transitional homelessness.

By 2008, there were 1,556 homeless individuals reported in the Point-In-Time study. Of these, 451 or 29% were categorized as chronically homeless. With 80% of homeless adults reporting income of less than $1,000 per month, there are few housing options available to them (HPC DE, 2008).

The Ten Year Plan to End Chronic Homelessness— approved last year 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.

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.

The State has yet to commit any new funds to the fulfillment of the Ten Year Plan, now in its second year. Failure to find resources to address the ten-year strategy will result in a continuation of the situation in which shelter providers currently find themselves: There are too few beds to meet the various and conflicting demands: the individual or family waiting for a shelter stay, the "episodically" homeless families that need a longer stay to make the transition back to the housing market, the chronically homeless individual in need of a permanent bed that does not exist, the young adult "aging out" of foster care, the ex-offender trying to start over and in need of a place to stay in order to do so.

The ranks of the homeless include families with children and many who are working but unable to meet the rising cost of rent. Delaware's Department of Education aggregates information on homeless children attending classes in all districts: Its latest count was that 5,800 homeless children attend Delaware schools in any given year.

Homeless shelters are full and regularly contact one another to determine if room is available for those in need. A shelter serving homeless men in Dover for the winter quickly reached a list of "regular" residents numbering 29 despite the stated capacity of 25. Some have lost jobs, while others have recently been released from prison or left relationships that did not work out. Several shelter residents work; however, 35 hours a week at the minimum wage results in gross weekly pay of just $250. Half of that would be required to rent a modest room.

The Universal Living Wage (ULW, 2008) is an organization of the homeless based in Austin, Texas, which promotes a minimum wage gauged to the "efficiency apartment" ("zero-bedroom") housing wage for each state. Currently, that figure stands at $12.58 for Delaware, 176% of the state minimum wage, and representing an annual salary of $26,157. (NLIHC, 2008)

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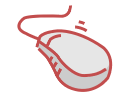


The "efficiency apartment" ("zero-bedroom") housing wage stands at $12.58 for Delaware, 176% of the state minimum wage, an annual salary of $26,157.

Table 10: The Ten Year Plan to End Chronic Homelessness

Recommendation	Beds
1. New units of permanent supportive housing for chronically homeless persons	294
2. New units of permanent supportive housing for persons with serious mental illness, including those who are institutionalized and those who are homeless	42
2 (a). Rental of existing units in which to provide permanent supportive housing for the population described in (2) above	57
3. New units of Safe Haven and permanent supportive housing for homeless persons with extremely low and no incomes and substance use conditions	207
4. New units of transitional housing for persons who have completed detox and are waiting for a residential substance abuse treatment bed	8
5. Rental subsidies for persons with substance use and mental health conditions with incomes below 30% of median, receiving services from DSAMH	600
5a. Rental subsidies for youth exiting foster care with incomes below 30% of median and qualifying conditions	146
5b. Rental subsidies for persons re-entering from prison with incomes below 30% of median and qualifying conditions	146
6. New units of permanent supportive and transitional housing for youth exiting foster care who need onsite support services	10
7. New units of permanent supportive housing to accommodate families where the head of household meets criteria for chronic homelessness, except that s/he is accompanied by children	18
7a. Rental of existing units to provide permanent supportive housing for the target population described in (7) above.	12
8. New single entity homeless service centers in each county with respite beds where residents can stay while screening and housing locator services are completed	25
9. Funding of match for existing SHP programs to maintain the current 'floor' of housing for homeless and chronically homeless persons in Delaware	330
Totals	2,003

Source: *Breaking the Cycle*, The Ten Year Plan to End Chronic Homelessness in Delaware

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.

Housing Need and Demand

A study completed for the Delaware State Housing Authority (DSHA, 2007b) examines the current and near-term-future needs of low income households, defined as those with income less than or equal to 80% of the area median income. DSHA estimates that 6,333 households with modest incomes expect to become first-time homebuyers and notes that 15% of all new residential construction needs to be affordable to them.

Key findings from the 2008 - 2012 DSHA Statewide Housing Needs Assessment include:

- Delaware housing price increases exceed the rate of inflation, rising 177% over the decade ending with 2006, compared with inflation of 128% for that period.
- Housing prices in all three counties exceed the accepted threshold of three times median household income.
- Significant increases in cost burden have been experienced statewide, with over 18% of homeowners and 43% of renters paying more than 30% of their income for housing.
- Those seeking affordable housing are mainly working Delawareans; but even full-time incomes are not keeping pace with housing costs.

In addition, this study notes that a disabled person dependent on SSI cannot afford a one-bedroom apartment anywhere in the state.

To meet the "critical needs" of the homeless or those at risk of homelessness, DSHA estimates that Delaware needs to provide 648 new supportive housing units and 1,000 rental subsidies along with 1,489 new affordable rental housing units for households of ***extremely low income***. This means an immediate need for 3,137 rental units for those most in need.

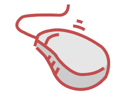
As housing prices rise, the burden of housing costs to many households also rises to the point where the leading housing issue is now its cost burden. Statewide, 31% of homeowners with mortgages pay 30% or more of their income for housing costs. Surprisingly, 13% of homeowners without mortgages are also cost burdened. Most notably, nearly half of Delaware's renter households are cost burdened, paying 30% or more of their income for housing. That means that over 40,000 Delaware renter households are cost burdened (ACS, 2006).

Wages reveal only a partial picture of household's ability to cover their housing costs. Increasing number of workers in Delaware must pay for health insurance or for larger portions of insurance premiums. "As households pay for more of their benefits, their ability to pay for housing is diminished (ACS, 2006)." 60% of private employers offer health care benefits, covering 88% of Delaware workers; however, many workers make substantial contributions to the cost of these benefits. The state department of labor reports a clear downward trend in the provision of employee benefits since 2001. It also notes that about a quarter of all jobs in the state are part-time.

What does this mean for Delaware? If these households are already cost burdened, it is unlikely that they are able to save for a down payment to purchase a home in the near future. As housing requires such a large share of their income, less money is available for other expenditures, including food, clothing, transportation, education, health care, and discretionary items.

A disabled person dependent on SSI cannot afford a one-bedroom apartment anywhere in the state.

Housing prices in all three counties exceed the accepted threshold of three times median household income.



In the years ahead, Delaware will experience an increase in households greater than that of population, as smaller households continue to be created. By 2015, the state projects 367,590 households, with the greatest growth in central Kent and in Sussex Counties. There will be 22,405 new households by 2012 alone–all needing housing. Higher incomes will predominate among new households in New Castle County, while income will vary more widely among new households formed in Kent and Sussex. Reaching first-time homebuyers will be a serious challenge, as job creation and corresponding wages paid are not expected to match the demand for home ownership. This group–mostly earning modest wages–will generate a demand for 6,332 homes, mostly in Kent and Sussex Counties. DSHA projects the need to assist 3,932 of these first-time buyers of affordable homes, representing 62% of the market.

From 2000 to 2005 there was an increase of 6,273 ELI households with cost burden.

Poverty and Housing Cost Burden

At the November 2007 Annual Membership Meeting, the Delaware Housing Coalition released a report which it commissioned from the University of Delaware, Center for Community Research and Service.

"The Housing Needs of Extremely Low Income Households in Delaware" was completed by Rosalind Kotz, a senior research assistant and doctoral student at the center.

Using data from a variety of sources -- including the annual "Point in Time Study" conducted by the Homeless Planning Council of Delaware -- the report focused on the issue of cost burden for extremely low-income (ELI) Delawareans, those whose income was at or below 30% of the area family median income. It found a need "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 was an assumption of the study.

<u>Cost-Burdened ELI Households</u>

The report found 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 (see Table 5). This included 13,422 rental units and 14,414 owner-occupied units.

<u>Increase in ELI Housing Need</u>

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.

Table 11:
Five Year Change in Extremely Low Income Households in Delaware 2000—2005

	Cost-Burden >30%	Severe Cost Burden >50%
Renters	797	3521
Owners	5476	4616

Source: Housing Needs of Extremely Low Income Households in Delaware, 2007.

There are almost 28,000 extremely low-income households in Delaware — 13,422 rental units and 14,414 owner-occupied units — in need of affordable housing due to cost-burden.

ELI renter households with severe cost burden -- cost burden exceeding 50% of income on housing -- increased by 3,521, a 39.0% increase.

While the increase in ELI households was 6.8% (an additional 797 units) over the five-year period, the number of ELI renter households with severe cost burden -- cost burden exceeding 50% of income on housing -- increased by 3,521, a 39.0% increase.

Cost-burdened ELI homeowners increased by 5,476, a 61.3% increase.

Cost-burdened ELI homeowners increased by 5,476, a 61.3% increase.

Table 12: Share of Rent-Burdened and Severely Rent-Burdened Delaware Households

	Very Low Income (>30% to <50%)	Extremely Low Income (<30%)	Share of Total (<50%)
Rent Burdened (>30% of Income)	33.8%	43.6%	77.4%
Severely Rent Burdened (>50% of Income)	20.7%	73.3%	94.0%

Source: Housing Needs of Extremely Low Income Households in Delaware, 2007.

<u>Location</u>

A major proportion of the entire state need for ELI housing was found to be in New Castle County (58%).

Of the 13,422 rental units needed, 1,974 are in Kent, 1,854 in Sussex, and 9,595 in New Castle.

The City of Wilmington needs 3,383 ELI rental units, 29% of the state total and 35% of the county need.

Of the 14,414 owner-occupied ELI households with cost burdens, 2,932 are in Kent County, 4,980 in Sussex, and 6,529 in New Castle.

Wilmington accounts for 1,905 units of the owner occupied need.

58% of the entire state need for ELI housing was found to be in New Castle County (58%).

Table 13:
Severe Cost Burden (50%) by Income Group and Tenure in Delaware

	Over 80% MFI	Low Income (50% & 80%)	Very Low Income (30% to 50%)	Extremely Low Income (<30%)
Renter	361	386	2546	9029
Owner	1183	2882	4465	6511

Source: Housing Needs of Extremely Low Income Households in Delaware, 2007.

Rent Burden and Severe Rent Burden

ELI households account for close to half (43.6%) of all households with rent burdens. ***Very Low Income (VLI)*** households account for an additional third (33.8%) of rent-burdened Delaware households. This is a total of over three-quarters (77.4%) of all rent-burdened households in Delaware that are below 50%of median income. Nearly three-quarters (73.3%) of all severely rent-burdened Delaware households are extremely low income. Another 20.7% are very low income. This is a total of 94% of all severely rent burdened families that are below 50% of median income.

77.4% of all rent-burdened households in Delaware are below 50% of median income.

Jobs and Housing

While housing production and prices continue to rise, increases in employment take place mostly at pay levels below those needed to support market-based housing either for purchase or for rent. The National Housing Conference reported that Delaware's median housing price was $237,000 in the third quarter of 2007 (NHC, 2008), which required annual household income of $62,800. This figure was compared with the five fastest-growing occupations in the state, none of which provided sufficient income for purchase of such a home.

Table 14: Occupations and annual income

	Median Income	Mortgage Affordable	Rent Affordable & FMR for 2BR unit in NCCo	
Registered nurse	$62,645	$236,000	$1,565	$932
Retail salesperson	$22,590	$ 69,175	$565	$932
Customer service	$36,069	$125,380	$900	$932
Food preparation	$21,346	$ 64,000	$530	$932
Office clerk	$31,785	$107,500	$795	$932

Source: Delaware Wages 2006, Delaware Department of Labor, Office of Occupational and Labor Market Information

94% of all severely rent burdened families are below 50% of median income.

Among these fastest-growing occupations, only the registered nurse can afford to purchase a house on this one income. The nurse and customer service representative can afford rental housing on their own in most Delaware locations, while the office clerk can afford a one-bedroom unit in New Castle County and a larger unit in the two southern counties. Those working in food preparation and retail sales will have a difficult time finding affordable housing if they must depend on their income from these occupations.

According to Delaware's Department of Labor, the pace of job growth has declined, while occupations expecting growth during the next several years are primarily those with lower annual earnings. Construction has slowed in most areas, with employment in that sector declining 2.4% between May 2006 and May 2007. Kent County's mid-decade construction market was heated but has cooled off: Construction employment expanded 15.3% in 2005 but only 2.1% the following year. From May 2006–2007, Kent County experienced a drop in construction employment of 9.2% (DDOL).

Besides construction, other key, well-paid employment sectors are also ex-

Delaware's median housing price was $237,000 in the third quarter of 2007, requiring annual household income of $62,800.

Table 15: Occupations and employment increase

	average earnings (2005)	expected new positions	expected replacement positions	total new positions	wage category
retail sales	$24,744	300	650	950	low
cashiers	$18,018	80	560	640	low
waiters/waitresses	$17,214	130	400	530	low
office clerks	$24,456	110	340	450	low/avg.
registered nurses	$58,238	240	170	410	+average
customer service rep.	$32,205	210	150	360	-average
food prep. and services	$17,248	105	220	325	low
janitors and cleaners	$20,516	120	150	270	low
general & operations managers	$95,762	90	115	205	high
cafeteria/ counter attendants	$18,729	40	160	200	low
accountants & auditors	$52,623	100	95	195	+average
Total				4,535	

Source: Delaware Wages 2006, Delaware Department of Labor, Office of Occupational and Labor Market Information

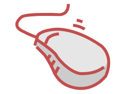
periencing a decline. This includes finance, insurance, and manufacturing. The state reports that the ten occupational categories expected to achieve the greatest gains in employment by the year 2014 include only two with wages high enough to support local housing costs:

Of the 4,535 jobs expected to open in these ten occupational categories, 205 are high-income managers and another 605 may expect to earn more than $50,000 per year. 3,725 or 82% of the total are expected to earn lower incomes and will find it difficult to afford to purchase or to rent housing in the local market.

Of the 4,535 jobs expected to open in these ten occupational categories, 3,725 or 82% provide lower incomes, making it difficult to afford to purchase or to rent housing in the local market.

A recent study notes that dramatic progress in addressing poverty occurred nationally during a four-year period, 1965—1969. It attributes the gains made to a combination of factors, including new emphasis on full employment and income security, increases in the minimum wage, strong support for labor's right to organize, and a deeper commitment to combating discrimination in the workplace. To take the example of the federal minimum wage, in 1964 it allowed a person working full-time, all year to earn $2,600, 84% of the poverty threshold for a family of four. By 1969, this had increased to $3,328, 90% of that threshold. The authors go on to comment: "Given these changes, it is fairly clear why poverty rates fell between 1964 and 1969." (Beyond, 2008) During this time, unemployment rates dropped and segregation in the work force decreased.

Housing Development



A major factor in rising housing costs is the rising price of land and the pattern of land use development for housing. In Delaware, much of the new construction since 2000 has been for large homes on large lots. 75% of building permits over the years 2001-2006 were for single-family homes, while only 11% were for multifamily construction. In the first five years of the current decade, over 10,000 acres of land in Sussex County were rezoned from agricultural to residential use. This compares with 1,700 acres in Kent County. A total of 50,443 dwelling units were added in Delaware during the same period (DSHA, 2007b).

With land costs representing an average of 29.3% of the cost of housing, one way to reduce housing costs is to make development more compact. For example, DSHA argues that financial savings on the order of 15.6% can be realized by construction in more compact development instead of in the type of sprawl seen in Delaware in recent years; with about a 30% reduction in the use of land (DSHA, 2007b). In comparison with other states, Delaware has seen the most rapid conversion of farmland to other uses since 2000 (CFED, 2008).

One way of assuring better use of land in the service of affordability is through ***inclusionary housing*** programs which mandate a percentage of units affordable to a target income group in return for a bundle of incentives, including ***density bonuses.***

Another way of taking the cost of land out of the affordability equation is by making use of the ***community land trust*** (CLT) model, which separates the ownership of land and improvements and allows shared (or restricted) equity. By this means, a home remains affordable to the target income group over successive homeowners. It also has the distinct benefit of retaining the original subsidy over time, thereby eliminating the need for additional subsidy with each new homebuyer.

Throughout Delaware a critical need for a balanced housing policy exists. Every five years Delaware requires counties to revise their state-compatible ***comprehensive plan*** including land use, transportation, and housing components.

New Castle County has created a housing trust fund which will dedicate funds to create housing affordable to residents 80% of AMI and below. The county also established a workforce housing ordinance by providing generous incentives for developers to build moderately- priced units in new developments.

Kent County implemented an Adequate Public Facilities Ordinance (APFO) requiring that infrastructure such as roads, schools, and public safety capacity is in place before a development is approved. Kent County's proposed plan includes a variety of land use and density options to allow for development of more modestly-priced housing and recommendations to consider other affordable housing options.

Sussex County passed a voluntary Moderately Priced Housing Unit Program (MPHU) which provides, on a formula basis, a ***density bonus*** and other advantages to developers who build housing affordable to households between 80 % and 120% of AMI. Sussex's draft plan speaks primarily of continued use of federal pass-through funds to address lower income housing needs.

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

In comparison with other states, Delaware has seen the most rapid conversion of farmland to other uses since 2000 .

By means of the CLT, a home remains affordable over successive homeowners, retains the original subsidy over time, and eliminates the need for additional subsidy with each new homebuyer.

Where Do We Go From Here?

The Delaware Housing Coalition recommendations for meeting the affordable housing needs of Delaware can be grouped under the two major categories of "Stewardship" and "Opportunity."

- Assure adequate funding
- Apply community-based oversight
- Create a Permanent Housing Inventory
- Preserve affordable multi-family rental and manufactured housing communities

INCREASE STEWARDSHIP OF VITAL HOUSING RESOURCES.

ASSURE ADEQUATE, CONTINUAL FUNDING

Adequate, additional revenue -- both allocated and dedicated -- should be designated for the Housing Development Fund (HDF). This is imperative in order to meet immediate and long-term 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.

PROMOTE GOOD GOVERNANCE

Public housing authorities, ***housing finance agencies***, and community development agencies have a better chance of operating in the best interest of the citizens when there is a strong community oversight board, populated by a broad range of informed, interested, critical thinkers (including especially those most directly affected by the decisions). This need is especially pronounced in the case of the Delaware State Housing Authority (DSHA), which combines within its operations all of the above roles that are so critical to affordable housing in the state.

CREATE A PERMANENT HOUSING INVENTORY

Permanent affordability allows a home to remain affordable to the target income group over successive homeowners. It also retains the precious original subsidy over time and eliminates the need for continued increments of subsidy with each new homebuyer. This is a model which should be employed to create an inventory of homes and fill a missing rung on the affordable housing ladder.

PRESERVE ALL AFFORDABLE COMMUNITIES

Affordable multi-family rental communities (HUD Section 8, Rural Development 515, and Low Income Housing Tax Credit) must be preserved, the state's investment in them protected, and their ability to qualify for subsidy continued. Manufactured housing in investor-owned environments should be provided with a clear, feasible means by law for the homeowners to purchase their land cooperatively, avoiding household dislocation, loss of equity, and destruction of the communities.

INCREASE OPPORTUNITY BY MEANS OF AFFORDABLE HOUSING PROGRAMS.

PRIORITIZE THOSE MOST IN NEED

A minimum amount (perhaps 30%) of the annual resources of the HDF should be reserved to meet the housing needs of the extremely poor. Mandatory set-asides in programs such as the Low Income Housing Tax Credit rental production program should be used as a means of distributing units throughout all communities and meeting the well-documented needs of permanent supportive housing for the chronically homeless, individuals with disabilities, and the elderly. Innovative use of Section 8 housing vouchers should be employed to move people to opportunity. A state "source of income" discrimination statute should make voucher-holders and others a protected group. 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.

MANDATE INCLUSION

Kent and Sussex counties should follow the example of New Castle in establishing their own housing trust funds, ones that are adequately funded and targeted to those whose housing needs are most dire. The counties should make affordable housing an essential component of their planning, helping our communities to become more inclusive racially, economically, and in terms of disability. Such initiatives, however generous the incentives, must include strong enough mandates to make housing affordable and to assure that it affirmatively furthers fair housing and distributes it throughout the state on a "fair share" basis.

ANTI-NIMBY EFFORTS ARE CRITICAL

Poor people, people of color, the disabled, the developmentally delayed, those recovering from poverty and homelessness should live where they choose, including where they have the most opportunity to prosper and thrive. This should become a commonplace way of thinking, speaking, and acting, which is employed to overcome reflexive, "allergic reactions" to affordable housing.

- Prioritize those most in need
- Mandate inclusion and affirmatively further fair housing
- Systematically and continually oppose NIMBYism

Glossary

AFFORDABLE HOUSING. Housing that costs an owner or renter not more than 30% of household income. (See also Cost burdened)

AMERICAN COMMUNITY SURVEY (ACS). U.S. Census Bureau survey conducted in every county, American Indian and Alaska Native Area, and Hawaiian Home Land. The ACS provides critical eco-nomic, social, demographic, and housing information to this country's communities every year. The 2010 Census will focus on counting the population. The ACS will provide communities every year the same kind of detailed infor-mation previously available only when the U.S. Census Bureau conducted a population census every 10 years.

AREA MEDIAN INCOME. See Median Income.

ASSISTED HOUSING. Housing in which the monthly costs to the tenant are subsidized by federal or other programs.

ASSUMPTIONS. Assumes a mortgage for 95% of the house price at 6% for 30 years and $150/month for taxes and insurance.

COMMUNITY LAND TRUST. A private non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents. Community land trusts develop housing through renovation or new construction, and sell (or sometimes rent) the units to low-income families; the CLT leases the land to the families, who agree to restrictions on how the house can be transferred in the future. As a result, CLTs are able to produce high-quality affordable housing, and keep it affordable in perpetuity. (Institute for Community Economics)

COMPREHENSIVE PLAN. A vision of the community including physical, social, and economic dimensions. It provides a framework to guide decision making goals and objectives, strategic implementation steps, and ensures efficient and orderly development. It serves as a policy document that forms future ordinances and a guide for public investment.

CONDOMINIUM. A type of ownership in real property where all of the owners own the property, common areas and buildings together, with the exception of the interior of the unit to which they have title. Often mistakenly referred to as a type of construction or development, it actually refers to the type of ownership.

CONSOLIDATED PLAN. The Consolidated Plan, or ConPlan, combines all of the planning, application, and performance requirements previously required separately for Community Development Block Grants (CDBG), HOME, Emergency Shelter Grants (ESG), Housing Opportunity for People with AIDS (HOPWA), and programs such as HOME that require Comprehensive Housing Affordability Strategy (CHAS).

COOPERATIVE. Organization owned by its members.

COST BURDENED. Households paying more than 30% of income to housing costs (including utilities) are said to be "cost burdened." Households paying more than 50% of income for housing are said to be "severely cost burdened."

DELINQUENCY. Failure to make payment when it is due. The condition of a loan when a scheduled payment has not been received by due date, but generally used to refer to a loan for which a payment is 30 or more days past due.

DENSITY BONUS. A mechanism that allows de-

HOUSING AFFORDABLE HOUSING: The 30 Percent 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 2007 edition of *Who Can Afford to Live in Delaware?*

For a thorough explanation of the history and current proposed alternatives to the 30% rule of thumb, see *Getting to the Heart of Housing's Fundamental Question: How Much Can a Family Afford? A Primer on Housing Affordability Standards in U.S. Housing Policy* by Danilo Pelletiere, Ph.D. February 2008 National Low Income Housing Coalition. http://www.nlihc.org/doc/AffordabilityResearchNote_2-19-08.pdf velopers to build in specified areas densities that are higher than normally allowed.

EXTREMELY LOW INCOME. Household income below 30% of area median, as defined by HUD.

FAIR MARKET RENTS (FMR). HUD's estimates of the actual market rent for a modest apartment in the conventional marketplace. Fair Market Rents include utility costs, (except for telephones). Every year, HUD develops and publishes FMR's for every MSA and apartment type.

FEDERAL HOUSING ADMINISTRATION (FHA). Federally-sponsored agency that insures lenders against loss on residential mortgages. It was founded in 1934 in response to the Great Depression to execute the provisions of the National Housing Act. FHA is a division of HUD.

FISCAL YEAR (FY). The accounting period for the budget. The fiscal year for the federal government begins on October 12 and ends the next September 30. The fiscal year is designated by the calendar year in which it ends; for example, FY06 begins October 1, 2005 and, and ends on September 30, 2006.

FORECLOSURE. Process by which a homeowner who has not made timely payments of principle and interest on a mortgage loses title to the home. The holder of the mortgage, whether it be a bank, a savings and loan, or an individual, must go to court to seize the property, which may then be sold to satisfy the claims of the mortgage.

GOVERNMENT SPONSORED ENTITIES (GSE). An enterprise established by the federal government but privately-owned and operated. These are excluded from budget totals because they are classified as private entities. However, financial information concerning them is included in the budget. Fannie Mae and Freddie Mac are GSEs, as are the Federal Home Loan Banks.

HOME PRICE TO INCOME RATIO. Ratio of housing price to income: This compares housing price to income by dividing the house price by annual household income. A ratio of 2.5 to 3 times income is considered *affordable housing*. See also Moderately Unaffordable and Severely Unaffordable definitions.

HOUSING COSTS. essentially, the costs of occupying housing. Calculated on a monthly basis, housing costs for renters include "contract rent, utilities, property insurance, mobile home park fee." For owners, monthly housing costs are "the sum of monthly payments for all mortgages or installment loans or contracts, except reverse annuity mortgages and home equity lines of credit. Costs also include real estate taxes (including taxes manufactured /mobile homes, and manufactured/mobile home sites if the site is owned), property insurance, homeowner association fees, cooperative or condominium fees, mobile home park fees, land rent, utilities." Utilities include "electricity, gas, fuels (oil, coal, kerosene, or wood), water, sewage disposal, garbage and trash collection." (2001 AHS, Appendix A, www.census.gov/hhes/www/ahs.html.)

HOUSING FINANCE AGENCY. State agency responsible for financing housing and administering assisted housing programs.

HOUSING STARTS. Indicator of residential construction activity monitored by the Department of Commerce. Housing starts represent the start of construction of a house or apartment building, which means the digging of the foundation. Other categories are housing permits, housing completions, and new home starts.

INCLUSIONARY HOUSING. Inclusionary housing policies are designed to achieve several public purposes: Increasing the stock of quality ownership and/or rental housing that is affordable to low- and moderate income residents; Promoting home ownership and wealth accumulation among those populations; Creating mixed-income communities, thus counteracting economic segregation and its attendant ills; and Creating a better spatial match between jobs and workers, with the attendant economic and environmental benefits. * These policies can be implemented in Moderately priced housing unit programs (MPHU's) which mandate or provide incentives for builders to include moderately priced housing in developments according to a formula in order achieve inclusionary zoning goals.

INVESTOR OWNED COMMUNITIES. A manufactured home community – or "mobile home park" – is generally defined by state jurisdiction as a single parcel of land on which sit two or more manufactured homes. In most instances, manufactured home communities are owned by investor landlords and the homes are owned by their occupants. The rental relationship between community owner and homeowners is generally a matter of state law or local ordinance and generally is not incorporated in an actual lease.

LEVERAGING. The maximization of the effect of federal assistance for a project by obtaining additional project funding from non-federal sources.

LOW INCOME. As applied to most housing programs, household income below 80% of area median, as defined by HUD, is classified as low income. See also Extremely Low Income, Very Low Income.

LOW INCOME HOUSING TAX CREDITS. The Low-Income Housing Tax Credit (LIHTC) program is run by the IRS and allows companies to invest in low-income housing, while receiving 10 years of tax credits. This important program works with state housing finance agencies to administer the program on a state level. Housing credit units are privately owned by developers and are run at a profit.

MANUFACTURED HOUSING. Manufactured home means any dwelling covered by the Federal. Manufactured Home Construction and Safety Standards, 24 CFR part 3280. (HUD) Manufactured housing is regulated by the HUD Code, which was established in 1976 and is the only federal building code. The HUD Code sets standards for heating, plumbing, ventilation, air conditioning and electrical systems, design, construction, transportation, energy efficiency, wind resistance and fire safety. Every manufactured home that leaves a factory bears a metal plaque certifying its compliance with the HUD Code. Another characteristic distinguishing manufactured homes from modular homes is that each manufactured unit is built on a metal chassis (CFED). The term does not include pre-fabricated buildings, modular homes, travel campers, boats, or self-propelled vehicles like motor homes. (Census)

MEDIAN INCOME. Median income is the midpoint in the income distribution within a specific geographic area. By definition, 50% of households earn less than the median income, and 50% earn more. HUD calculates levels for different communities annually, with adjustments for family size. The measure is used to determine the eligibility of applicants for both federally and locally funded housing programs.

METROPOLITAN STATISTICAL AREA (MSA). The basic census unit for defining urban areas and rental markets.

MODERATE HOUSING PROBLEMS. As used in the National Low Income Housing Coalition guide and by HUD, moderate problems consist of cost burden above 30% but not more than 50% of income, occupancy of housing with moderate physical problems, or overcrowding (more than one person per room).

MODERATELY UNAFFORDABLE. A ratio of 3.1 to 3.5 times home price to annual income is considered moderately unaffordable housing.

MORTGAGE. Debt instrument by which the borrower (mortgager) gives the lender (mortgagee) a lien on a property as security for the repayment of a loan. The borrower has use of the property, and the lien is removed when the obligation is fully paid. A mortgage normally involves real estate and is commonly used to purchase a house.

NIMBYism. Coming from "Not in my back yard," shortened to "NIMBY," the term refers to the tendency by residents of a local community to oppose new and unfamiliar development near their homes, based largely on misunderstanding.

PAYMENT STANDARD. The amount used to determine how much rent a housing authority will pay monthly to subsidize a voucher holder, expressed as a percentage of the Fair Market rent. The payment standard must be at leave 80% of the FMR.

PHYSICAL PROBLEMS. According to the definitions used for the 2001 American Housing Survey, "a unit has severe physical problems if it has any of the following five problems: Plumbing. Lacking hot or cold piped water or a flush toilet, or lacking both bathtub and shower, all inside the structure (and for the exclusive use of the unit, unless there are two or more full bathrooms). Heating. Having been uncomfortably cold last winter for 24 hours or more because the heating equipment broke down, and it broke down at least three times last winter for at least 6 hours each time. Electric. Having no electricity, or all of the following three electric problems: exposed wiring, a room with no working wall outlet, and three blown fuses or tripped circuit breakers in the past 90 days. Hallways. Having all of the following fours problems in public areas: no working light fixtures, loose or missing steps, loose or missing railings, and no working elevator. Upkeep. Having any five of the following six maintenance problems: (1) water leaks from the outside, such as from the roof, basement, windows, or doors;(2) leaks from inside structure such as pipes or plumbing fixtures; (3) holes in the floors; (4) holes or open cracks in the walls or ceilings; (5) more than 8 inches by 11inches or peeling paint or broken plaster; or (6) signs if rats in the last 90 days." A housing unit has moderate physical problems "if it has any of the following five problems, but none of the severe problems: Plumbing. On at least three occasions during the last 3 months, all the flush toilets were broken down at the same time for 6 hours or more...Heating. Having unvented gas, oil, or kerosene heaters as the primary heating equipment. Kitchen. Lacking a kitchen sink, refrigerator or cooking equipment (stove, burners, or microwave oven) inside the structure for the exclusive use of the unit. Hallways. Having any three of the four of the six problems [considered severe physical problems under Hallways}. Upkeep. Having any three of the four of the six problems listed [considered severe physical problems under Upkeep].

PRESERVATION. A program (enacted in 1987 with the Emergency Low Income Housing Preservation Act (ELIHPHA) and later amended into the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) that (a) prevented owner of what are called older assisted properties from prepaying their mortgages and converting the buildings to market rate use, and (b) compensated them with financial incentives available through extension or continuation of ownership, or sale to a nonprofit buyer. While neither ELIPHA nor LIHPRHA are currently in effect, their preemption provisions may threaten state and local laws regulating the preservation of federally assisted housing.

RESIDENT OWNED COMMUNITY. Resident-ownership refers to community ownership by the homeowners. In most instances, homeowners form a corporation (or, a "cooperative") to acquire the community as a whole and operate it for the benefit of the homeowners. Support for this model of ownership exists because it also helps the broader community preserve an affordable community. Homeowners can also achieve resident-ownership through sub-division, although local zoning regulations generally have posed a significant barrier to sub-dividing existing communities.

RURAL. Areas that are not urbanized. The Census Bureau defines an urbanized as "an incorporated place and adjacent densely settled (1.6 or more people per acre) surrounding area that together have a minimum population of 50,000."

SEVERE HOUSING PROBLEMS. As used by HUD in defining priorities, severe housing problems are homelessness, displacement, housing cost burden above 50% of income, occupancy of housing with serious physical problems. Data on severe housing problems drawn from the American Housing survey measures only cost burden and physical problems.

SEVERELY UNAFFORDABLE HOUSING. A ratio of greater than 3.5 home price to annual income is considered severely unaffordable housing.

SUBPRIME MORTGAGE. A type of mortgage that is normally made out to borrowers with lower credit ratings. As a result of the borrower's lowered credit rating, a conventional mortgage is not offered because the lender views the borrower as having a larger-than-average risk of defaulting on the loan. Lending instittions often charge interest on subprime mortgages at a rate that is higher than a conventional mortgage in order to compensate themselves for carrying more risk. (Investopedia)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF). Block grant to states administered under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which established a new welfare system. The TANF block grant replaced Aid to Families with Dependent Children (AFDC).

VERY LOW INCOME. Household income above 30% but below 50% of area median, as defined by HUD.

VOUCHER. A government payment to, or on behalf of, a household to be used solely to pay a portion of the household's housing costs in the private market.

WORST CASE HOUSING PROBLEMS. Unsubsidized very low income renter households with severe housing problems. HUD is required to submit a periodic report to Congress on worst case housing problems.

For more information

2001 American Housing Survey Definitions: www.census.gov/hhes/www/housing/ahs/ahs01/appendixa.pdf

Census: http://www.census.gov/acs/www/Downloads/ACSQandA.pdf

FANNIEMAE: http://www.fanniemae.com/aboutfm/pdf/key_mortgage_terms_eng.pdf

Housing Justice: http://www.housingjustice.org/beta/resources/affordable_housing_glossary

HUD's Glossary of Terms: www.hud.gov/offices/cpd/library/glossary/

State of Massacusetts: http://www.mass.gov/envir/smart_growth_toolkit/pages/glossary.html

National Low Income Housing Coalition: http://www.nlihc.org

Novgradac: http://www.ngrdc.org/cedschapter8.pdf

ROC USA: http://www.rocusa.org/manufacturedhome.htm

Notes

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TRF - Mortgage Foreclosure Filings in Delaware: A Study by The Reinvestment Fund for the Office of the State Bank Commissioner, June 2006.

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USCM - The Mortgage Crisis: Economic and Fiscal Implications for Metro Areas, prepared by Global Insight, Lexington MA, for US Conference of Mayors and The Council for the New American City, November 26, 2007.

INTERVIEWS

Jen Allen, First State Manufactured Housing Association, May 2008

New Castle County Community Services, May 2008.

Ed Speraw, Delaware Manufactured Home Owners Association, March 14, 2008.

Bob Weir, New Castle County Board of Realtors, March 12, 2008.

Chris Whaley, Delaware State Housing Authority, May 2008.

Who Can Afford to Live in Delaware?

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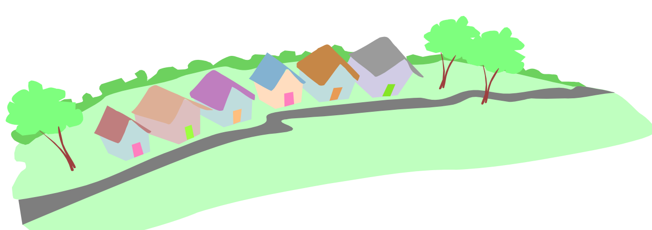
ONLINE HOUSING RESOURCES IN DELAWARE

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

Delaware Housing Coalition: www.housingforall.org
Delaware Community Reinvestment Action Council: www.dcrac.org
Delaware Manufactured Home Owners Association: www.dmhoa.org
Delaware State Housing Authority: www.destatehousing.com
Delmarva Rural Ministries: www.drminc.org
Diamond State CLT: www.diamondstateclt.org
Homeless Planning Council: www.hpcdelaware.org
NCALL Research: www.ncall.org
University of Delaware: www.udel.edu/ccrs/



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We work for affordable, accessible, inclusive communities!

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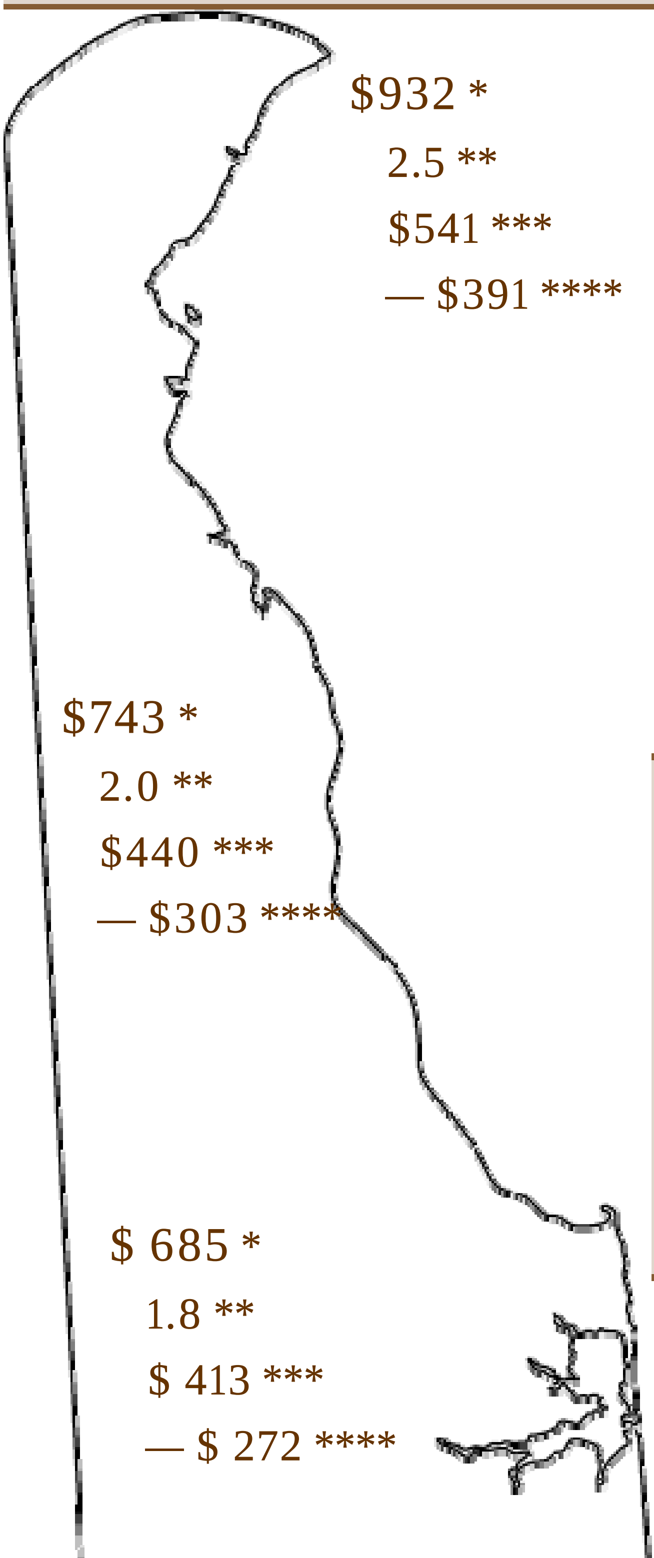
Who Can Afford to Live in Delaware?



RENTERS

By County —

* 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

**** Gap Between Fair Market Rent and Rent Affordable to 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.

Back Cover Statistics: Out of Reach 2006, National Low Income Housing Coalition. Minimum wage in Delaware is $7.15. An extremely low income household has an income at or below 30% of the Area Median Income.