

Who Can Afford to Live in Delaware?

“... the income of the top 1 percent has more than doubled in the past two decades, from roughly 10 percent of all income in 1980 to more than 22 percent in 2012.

... The top 400 individuals have more wealth than the bottom 180 million Americans taken together.”



“... what is called for is nothing less than transforming the underlying institutions that are producing the outcomes we see -- in short, one way or another, transforming the system over time, beginning, as always ... in local communities where the pain is greatest.”

— Gar Alperovitz, *Inequality's Dead End -- And the Possibility of a New, Long-Term Direction*

Delaware Homeowners

	Kent	New Castle	Sussex
Median Home Price	\$189,000	\$202,000	\$265,000
Affordable Price (low income, 50% AMI)	\$101,825	\$132,875	\$96,760
Gap between Median and Affordable Prices	-\$87,175	-\$69,125	-\$168,240

Delaware Tenants

2-Bedroom Rent (Fair Market)	\$984	\$1,156	\$987
Minimum Wage Hours of Work Required per Week	98	115	98
Affordable Monthly Rent (low-income, 30% AMI)	\$496	\$608	\$475
Gap between Fair Market and Affordable Rents	-\$488	-\$548	-\$512

(See “About Cover Statistics,” inside cover.)



Annual Report on Housing Affordability in Delaware
HousingForAll.org | Delaware Housing Coalition | WhyNIMBY.org



Who Can Afford to Live in Delaware?

Contents

SUMMARY

Delaware Rental Housing Out of Reach

2

Delaware Housing Cost Burdens and Income

4

Special Housing Needs

6

Homeownership and Foreclosures

8

Income, Wealth: Inequality

9

Sources

Delaware Housing Coalition
PO Box 1633
Dover, Delaware 19903-1633
Phone: 302-678-2286
Fax: 302-678-8645
www.housingforall.org
www.whynimby.org

OR
BOARD OF DIRECTORS

Carrie Casey
Deborah Gottschalk, Esq.
Bobbie Hemmerich
Sarah Keifer
Dorothy Medeiros
Joe L. Myer
Brenda Osborne
Jim Peffley
Loretta Richardson
Susan Starrett
Bill Swiatek
Amy Walls
Dave Zumski

About Cover Statistics:

HOMEOWNERS: Delaware State Housing Authority, U.S. Dept. of Housing and Urban Development. Affordability is calculated for a household with an income of 50% of Area Median Income with a mortgage at 3.75% for 30 years, 33%-38% debt-to-income ratio, and \$200/month for taxes and insurance and "other debt" of 12%.

TENANTS: Out of Reach 2015, National Low Income Housing Coalition. Minimum wage in Delaware is \$7.75. An extremely low income household has an income at or below 30% of the Area Median Income.



ONLINE HOUSING RESOURCES

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

Community Wealth: community-wealth.org

Delaware Housing Coalition: www.housingforall.org

Delaware Housing Needs Assessment 2015-2020: demo.gis.gcri.com/Delaware_GIS/

Delaware Housing Search: www.delawarehousingsearch.org

Delaware Community Reinvestment Action Council: www.dcrac.org

Delaware Housing Search: delawarehousingsearch.org

Delaware State Housing Authority: www.destatehousing.com

Diamond State CLT: www.diamondstateclt.org

Homeless Planning Council: www.hpcdelaware.org

NCALL Research: www.ncall.org

Technical Assistance Collaborative: www.tacinc.org

Why NOT In My Back Yard?: www.whynimby.org

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 previous editions 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

Summary

Housing Burden Among the Very Poor

- ◇ Of the 94,966 renter households in Delaware, 25% (23,373) are severely cost-burdened, spending more than 50% of their income for housing.
- ◇ Of the severely cost-burdened renter households, 97% (22,629) have very low incomes, below 50% of area median income (AMI) and 73% (17,093) have extremely low incomes, below 30% of area median income (AMI).
- ◇ There are 21,746 extremely low-income renter households in Delaware, 79% (17,093) of whom are severely cost-burdened.
- ◇ For every 100 extremely low-income households (those at or below 30% of the area median income), there are only 34 units affordable and available.
- ◇ There is an immediate need for 14,436 affordable housing units to fill the state deficit for extremely low-incomes Delaware households.

Special Housing Needs

- ◇ Delaware is one of 17 states where the average one-bedroom rent is higher than monthly SSI payments.
- ◇ We are one of only 4 states where the one-bedroom rent exceeds 100% of SSI in every part of the state.
- ◇ In 2014, in Delaware, a person with a disability received SSI benefits equal to \$721 per month. Statewide, this income was equal to 17.0% of the area median income.
- ◇ On average a person with a disability receiving SSI pays 106% of their monthly income to rent an efficiency unit and 123% of their monthly income for a one-bedroom unit.

Renters

- ◇ Of the 50 states, Delaware has the 6th highest nonmetro area housing wage for a two-bedroom unit at \$18.98.
- ◇ Of the 50 states, Delaware has the 12th highest two-bedroom housing wage at \$21.09.
- ◇ The Fair Market Rent for a two-bedroom apartment ranges from a low of \$984 in Kent County to \$987 in Sussex County to a high of \$1,156 in New Castle.
- ◇ In Delaware, the estimated mean (average) wage for a renter is \$15.73, which is \$5.36 less than the hourly wage needed to afford a typical two-bedroom unit.
- ◇ A worker in Delaware must earn \$21.09 per hour—or \$43,867 annually—to afford a typical two-bedroom apartment.
- ◇ In all three counties, monthly two-bedroom fair market rents far exceed (by a range of \$488 to \$548) rents affordable to a four-person extremely low-income household, as well as minimum-wage workers.

Homeownership

- ◇ The Q4 2014 median purchase price for a house in Delaware ranged from \$189,000 in Kent County to \$265,000 in Sussex.
- ◇ Median household income in Delaware ranges from \$63,300 in Sussex County to \$81,100 in New Castle.
- ◇ In Delaware in 2014, foreclosure filings rose to 2,856 from the 2013 figure of 2,592.

Wages, Income, and Wealth

- ◇ Reductions in poverty correlate historically with real increases in the minimum wage.
- ◇ The real value of the federal minimum wage fell roughly 30 percent since the late 1960s. An increase to \$10.10 by the year 2016 would return it to roughly the same inflation-adjusted value it had then.
- ◇ This increase would affect 78,000 Delaware workers, who have an average age of 35, 54% of whom work full time, and who typically earn half of the total family income.
- ◇ In Delaware the average income of the top 1% is 16.2 times that of the bottom 99%.
- ◇ Between 1979 and 2011, the average income of the top 1% rose 45.7%, while the bottom 99% had a rise of 1%.
- ◇ Declining upward mobility and growing political and economic inequality perpetuate harmful social conditions that undermine civil society and thwart the missions of charitable and philanthropic organizations.



Delaware Rental Housing Out of Reach

In Delaware, the Fair Market Rent (FMR) for a two-bedroom apartment is **\$1,096**. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn **\$3,655** monthly or **\$43,860** annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly Housing Wage of:



\$21.09 PER HOUR

STATE FACTS

Minimum Wage	\$7.75
Average Renter Wage	\$15.73
2-Bedroom Housing Wage	\$21.09
Number of Renter Households	92,484
Percent Renters	28%

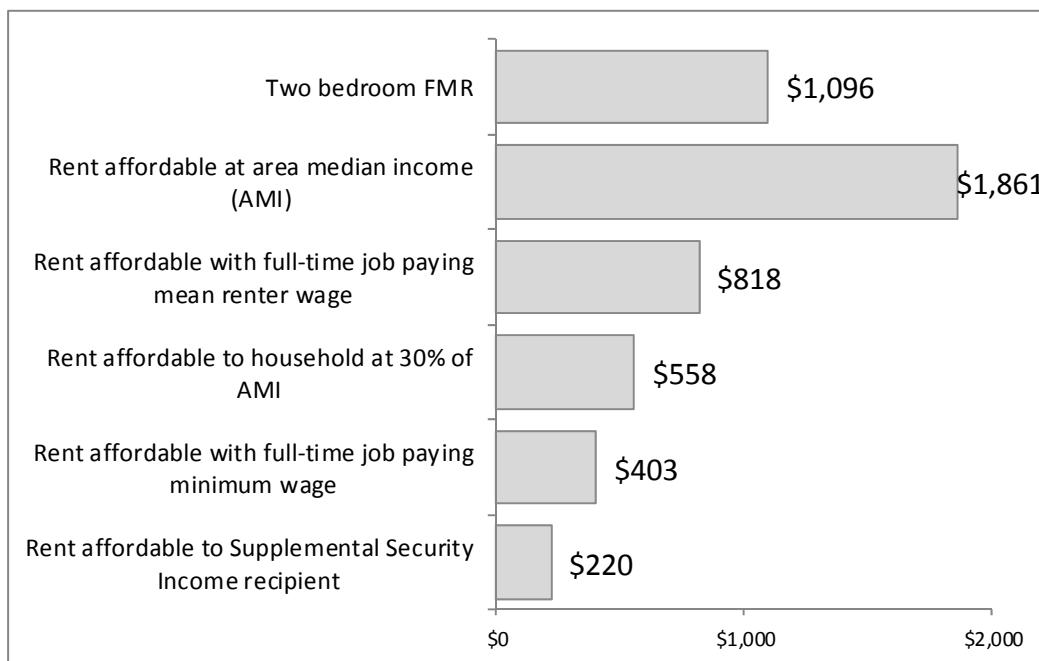
KEY FACTS

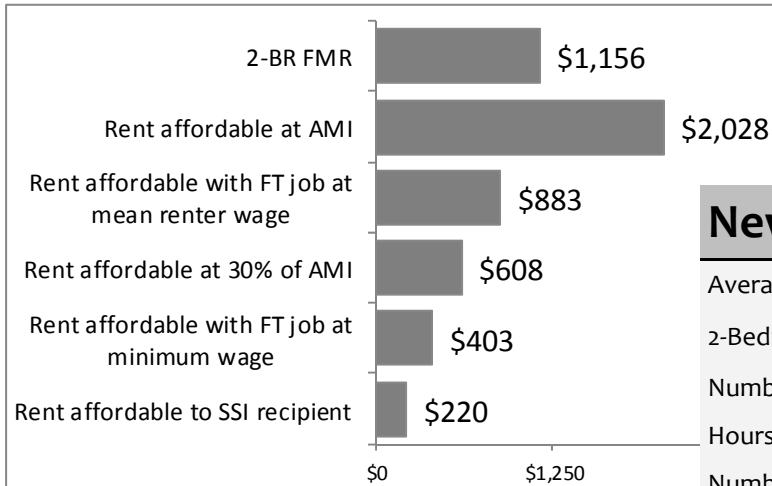
109

Work Hours Per Week At State Minimum Wage Needed To Afford a 2-Bedroom Unit (at FMR)

2.7

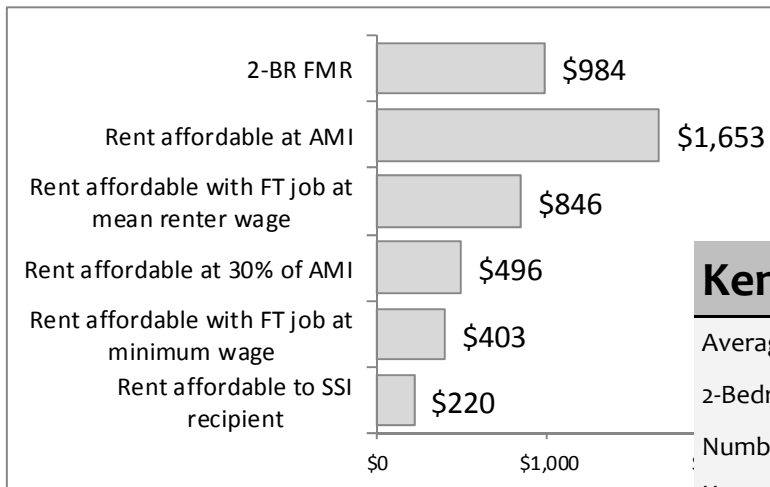
Number of Full-Time Jobs At Minimum Wage Needed to Afford a 2-Bedroom Unit (at FMR)





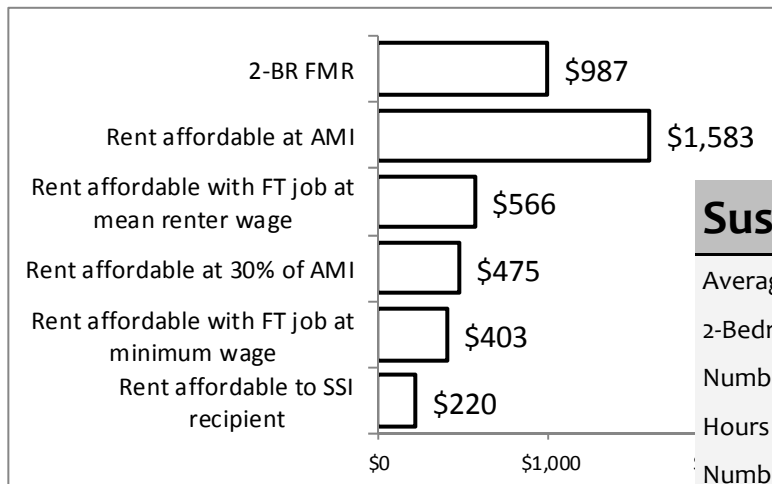
New Castle County

Average Renter Wage	\$16.97
2-Bedroom Housing Wage	\$22.23
Number of Renter Households	60,206
Hours at Minimum Wage Needed for 2-BR FMR	115
Number of Jobs Needed at Minimum Wage	2.9



Kent County

Average Renter Wage *	\$15.73
2-Bedroom Housing Wage	\$18.92
Number of Renter Households	16,190
Hours at Minimum Wage Needed for 2-BR FMR	98
Number of Jobs Needed at Minimum Wage	2.4



Sussex County

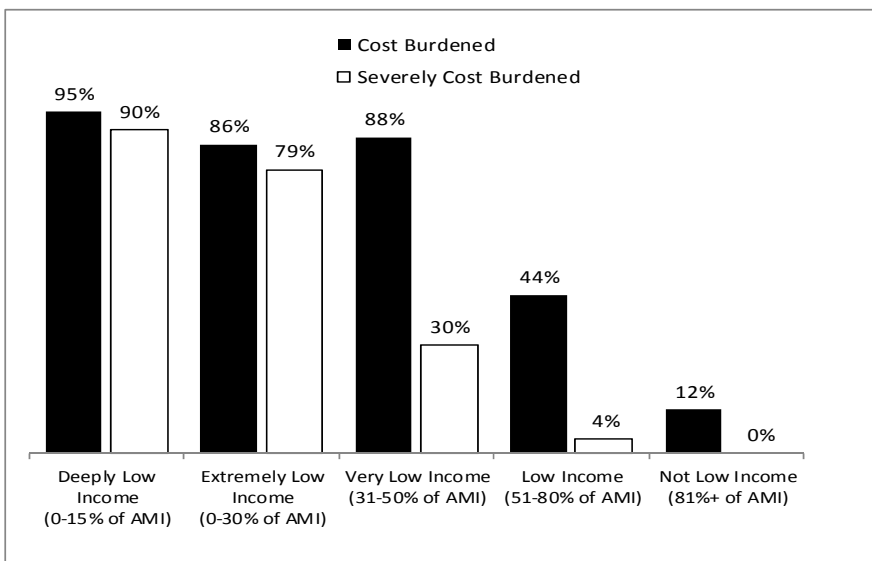
Average Renter Wage	\$10.89
2-Bedroom Housing Wage	\$18.98
Number of Renter Households	16,088
Hours at Minimum Wage Needed for 2-BR FMR	98
Number of Jobs Needed at Minimum Wage	2.4

Delaware Housing Cost Burdens and Income

Many Delaware renters are extremely low income and face a housing cost burden. Across the state, there is a deficit of rental units both affordable and available to extremely low income (ELI) renter households, i.e. those with incomes at 30% or less of the area median income (AMI).

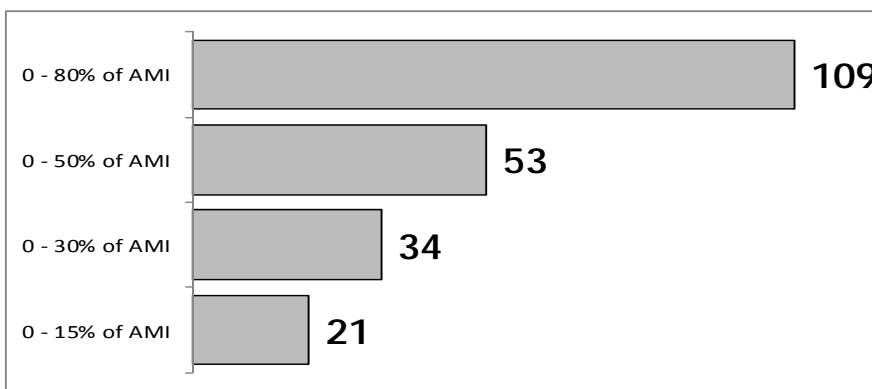
HOUSING COST BURDEN BY INCOME GROUP

Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are considered severely cost burdened.



HOUSING SHORTAGE BY INCOME THRESHOLD

The lower the income threshold, the greater the shortage of affordable and available units per 100 renter households.



KEY FACTS

28%

Households in this state that are renters

21,746

OR

23%

Renter households that are extremely low income

\$20,550

Maximum state level income for an ELI household

14,436

Shortage of units affordable and available for extremely low income renters

\$21.09

State Housing Wage

The hourly amount a household must earn to afford a two-bedroom rental unit at HUD's Fair Market Rent

HOUSING COST BURDEN BY INCOME GROUP

	Total Renter Households	Severely Burdened Households*	% with Severe Burden	Affordable and Available Rental Units per 100 Households	Surplus (Deficit) of Affordable and Available Rental Units
Income at or below 30% of AMI**	21,746	17,093	79%	34	-14,436
Income between 31% and 50% of AMI	18,415	5,536	30%	53	-18,692
Income between 51% and 80% of AMI	19,213	744	4%	109	5,076
All Renter Households	94,966	23,373	25%		

Source: NLIHC tabulations of 2013 American Community Survey (ACS) Public Use Microdata Sample (PUMS)

RENTAL AFFORDABILITY BY COUNTY

	Total Renter Households	AMI	30% of AMI	Rent Affordable at 30% of AMI	1 BR FMR	1 BR Housing Wage	2 BR FMR	2 BR Housing Wage	Hrs at MW for 2 BR	Avg. Renter Wage
NEW CASTLE***	60,206	\$81,100	\$24,330	\$608	\$959	\$18.44	\$1,156	\$22.23	115	\$16.97
KENT****	16,190	\$66,100	\$19,830	\$496	\$830	\$15.96	\$984	\$18.92	98	
SUSSEX	16,088	\$63,300	\$18,990	\$475	\$730	\$14.04	\$987	\$18.98	98	\$10.89

Source: Out of Reach 2015.

* Severely Burdened: Households spending more than 50% of income on housing costs, including utilities.

** AMI: Area Median Income

*** Philadelphia-Camden-Wilmington, MSA

**** Dover MSA

Special Housing Needs

Delaware is one of 17 states where the average one-bedroom rent is higher than monthly SSI payments.

We are one of only 4 states where the one-bedroom rent exceeds 100% of SSI in every part of the state.

DELAWARE SSI PAYMENTS AND HOUSING COSTS

In 2014, in Delaware, a person with a disability received SSI benefits equal to \$721 per month. Statewide, this income was equal to 17.0% of the area median income. On average a person with a disability receiving SSI would have to pay 106% of their monthly income to rent an efficiency unit and 123% of their monthly income for a one-bedroom unit.

	SSI Monthly Income	SSI as % of AMI	% SSI Needed for a 1-BR	% SSI Needed for Efficiency Unit
Kent	\$721	19.1%	115%	90%
New Castle	\$721	15.7%	133%	113%
Sussex	\$721	19.1%	101%	99%
Statewide	\$721	17.0%	123%	106%

Homelessness and Disability

“Because of their limited incomes and the high cost of housing, many people with disabilities have become chronically homeless.”

Olmstead and the Need for Permanent Supportive Housing

“Public entities such as state and local governments have a legal obligation to serve people with disabilities in the most integrated setting possible. On June 22, 1999, the U.S. Supreme Court issued its decision in *Olmstead v. LC*, a lawsuit against the State of Georgia that questioned the state’s continued confinement of two individuals with disabilities in a state institution after it had been determined that they could live in the community.

“The Court described Georgia’s actions as “unjustified isolation” and determined that Georgia had violated these individuals’ rights under the Americans with Disabilities Act (ADA). Due to the *Olmstead* decision, many states are now working to meet their obligations implementing [“Olmstead Plans” and Olmstead-related settlement agreements]” – from **Priced Out in 2014**

KEY FACTS

106%

The percentage of the income of a Delawarean receiving SSI required for the average efficiency apartment.

– 7,286

Deficit of Affordable and Available Units for Delawareans below 15% of AMI

– 14,436

Deficit of Affordable and Available Units for Delawareans below 30% of AMI

10,372

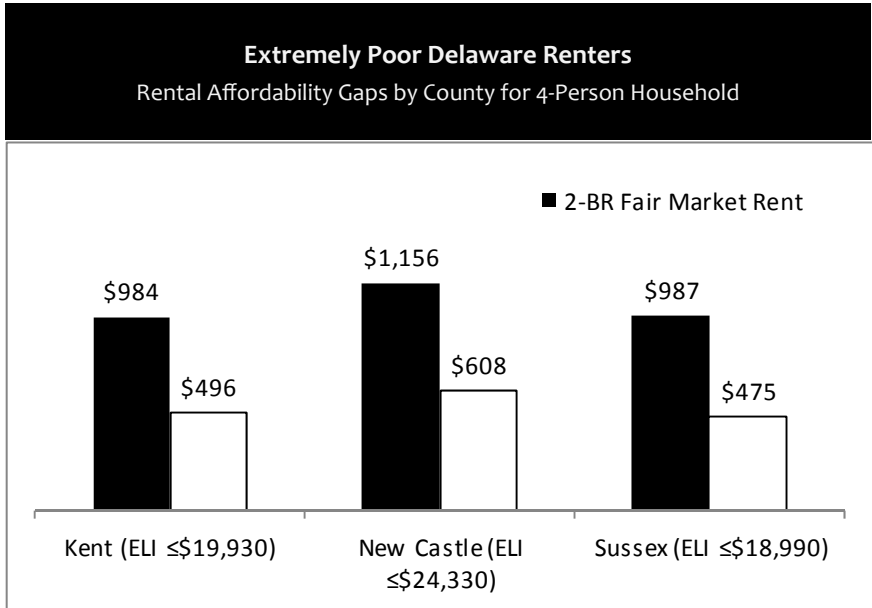
Number of Delawareans Receiving Supplemental Security Income

Housing Affordability and Delawareans with a Disability (SSI)				
	2008	2010	2012	2014
Non Elderly Adults with Disabilities Receiving SSI Benefits	8,555	9,253	10,205	10,372
Percent of SSI Needed to Rent a 1-BR Housing Unit	122.3%	123%	124%	123%
Percent of SSI Needed to Rent an Efficiency Housing Unit	108.6%	109%	107%	106%
SSI as a Percentage of One Person Median Income	16.6%	16.6%	16.6%	17.0%
SSI as an Hourly Wage	\$3.68	\$3.89	\$4.02	\$4.15

Source: Priced Out in 2008, 2010, 2012 and 2014, www.tacinc.org

Comparison of Minimum Wage with Efficiency and One-Bedroom Housing Wages					
County	Minimum Wage	0-Bedroom Housing Wage	Difference	1-Bedroom Housing Wage	Difference
Kent	\$7.75	\$12.48	(\$4.73)	\$15.96	(\$8.21)
New Castle	\$7.75	\$15.65	(\$7.90)	\$18.44	(\$10.69)
Sussex	\$7.75	\$13.71	(\$5.96)	\$14.04	(\$6.29)

Out of Reach 2015, nlihc.org



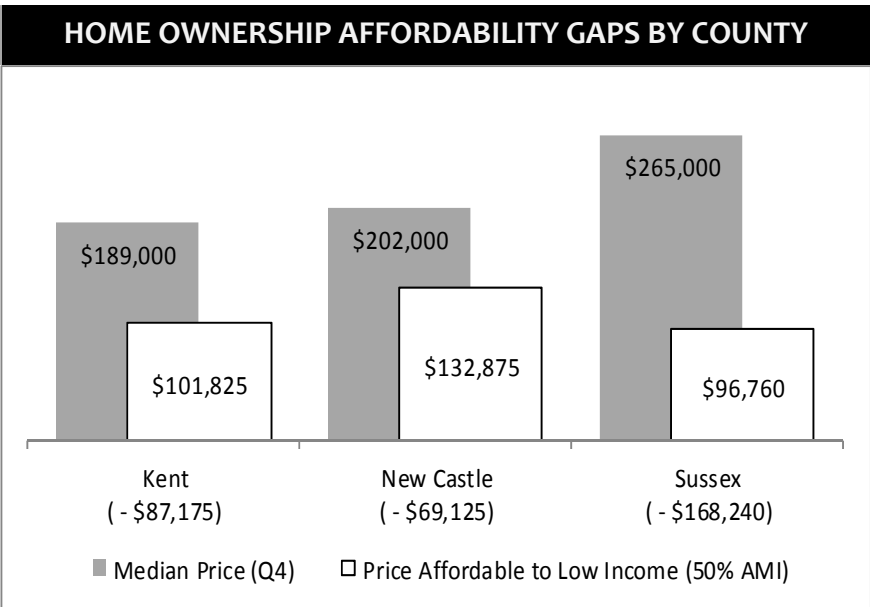
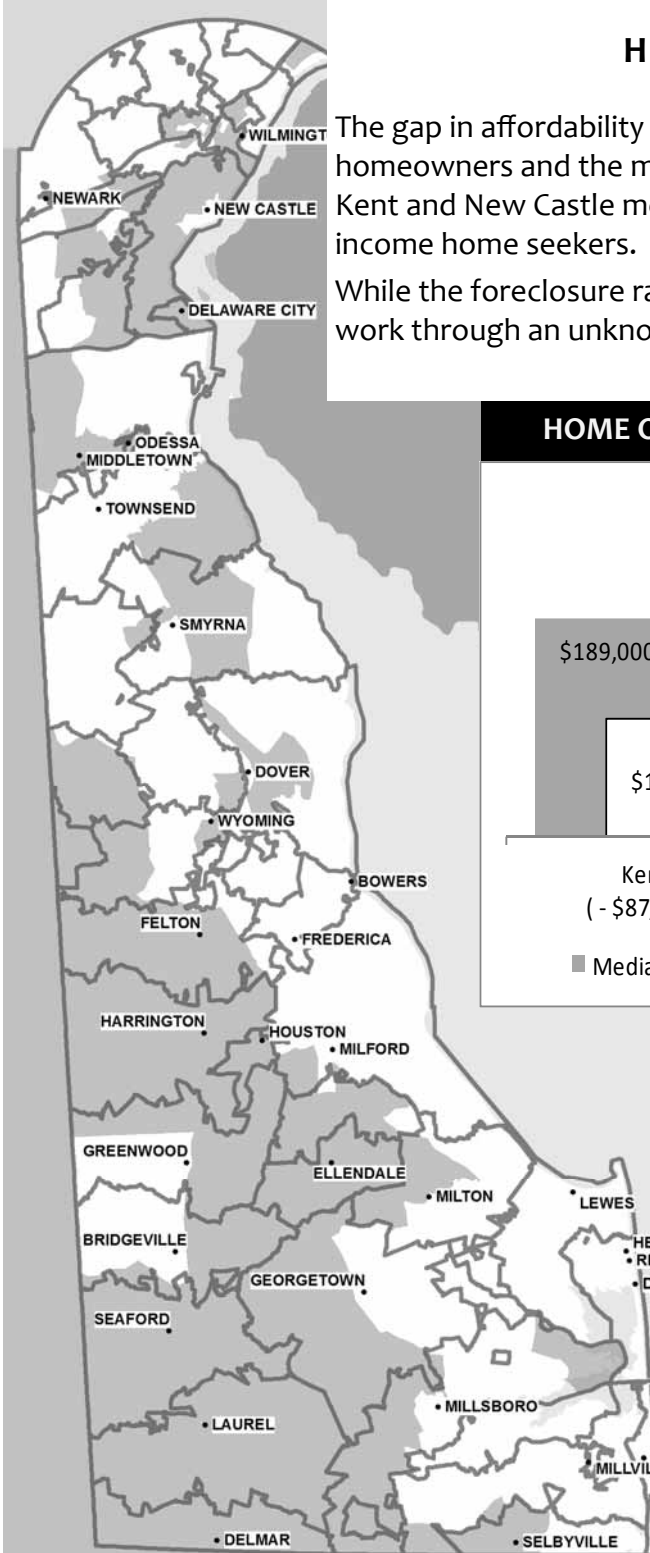
Monthly Rent Affordable to Selected Delaware Households by Income Level Compared with Two-Bedroom FMR (= \$1,096)			
	Rent	Can Afford	Gap
Median Income Delaware Family	\$1,096	\$1,819	
Mean Renter Wage Earner	\$1,096	\$818	(\$278)
Extremely Low Income Household (4-person)	\$1,096	\$558	(\$538)
Minimum Wage Earner	\$1,096	\$403	(\$693)
SSI Recipient	\$1,096	\$220	(\$876)

Source: Out of Reach, 2015, NLIHC.org; Priced Out in 2008, 2010, 2012 and 2014, www.tacinc.org

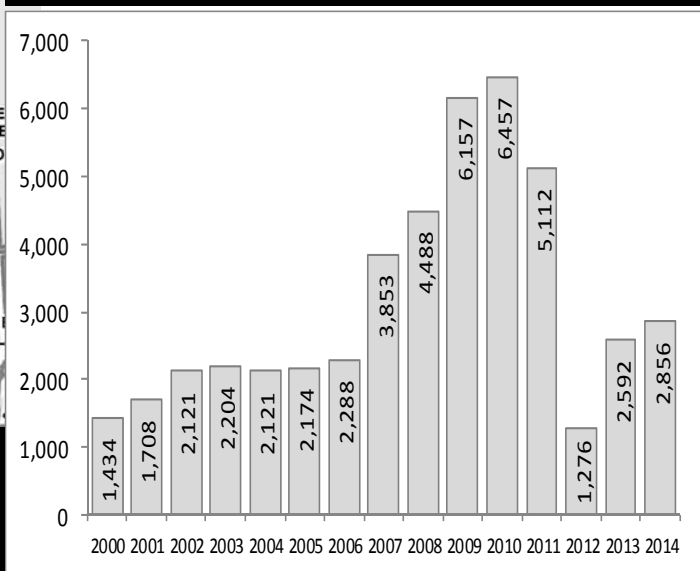
Home Ownership and Foreclosures

The gap in affordability for low-income ($\leq 50\%$ AMI) prospective homeowners and the median home price remains considerable in Sussex. In Kent and New Castle median home prices have still been daunting to low-income home seekers.

While the foreclosure rate in 2014 rose only slightly, Delaware continues to work through an unknown backlog of delinquent cases.



DELAWARE FORECLOSURE FILINGS, 2003—2014



DELAWARE FORECLOSURES AS A % OF SALES 2010-2013
 Boundaries = zip codes
 Shaded areas = census tracts >50%

Source: destatehousing.com; Delaware foreclosure map, Lisa Govoni, DSHA

Income, Wealth, and Inequality

While there are much more ambitious proposals for the federal minimum wage, an increase to \$10.10 by the year 2016 would return it to roughly the same inflation-adjusted value it had in the late 1960s, increasing the wages of almost 28 million workers. These workers, including 78,000 in Delaware, are not stereotypical low-wage workers, having an average age of 35, and about 54% working full time. “The average affected worker earns half of his or her family’s total income.”

KEY FACTS

18.4%

Of Delaware children (39,000) would be affected by the raise

78,000

Delaware (47,000 female) workers would be affected by the increase to \$10.10 by 2016

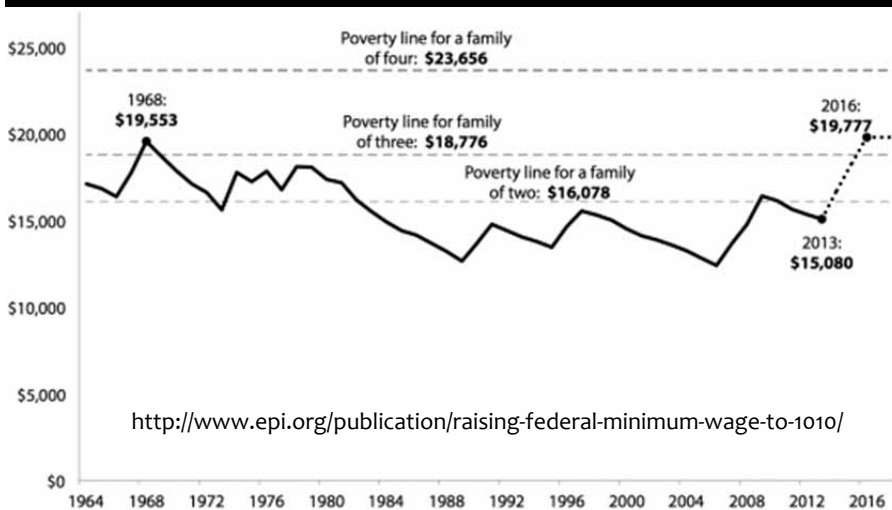
42,000

Work Full Time (35+ hours)

59,000

Have a high school education, some college (23,000), or a bachelor’s degree or higher (7,000)

Annual Minimum-Wage Earnings and Poverty Line for Families of Two to Four, 1964–2013 and Projected for 2013–2016 under Proposal to Raise the Federal Minimum Wage to \$10.10 by 2016 (2013 dollars)



The Average Income of Delaware Top 1% Is 16.2 Times Greater than that of Bottom 99%.

Average Income in 2011:

Top 1%: \$732,052

Bottom 99%: \$45,059

Source: Estelle Sommeiller and Mark Price, The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2011, an Economic Analysis and Research Network (EARN) report published February 19, 2014. go.epi.org/unequalstates

Top 1% in Delaware Captured 83.2% of All Growth

Change in Income in Delaware, 1979-2011

Top 1% 45.7%

Bottom 99% 1.0%

Source: Sommeiller and Price, The Increasingly Unequal States of America

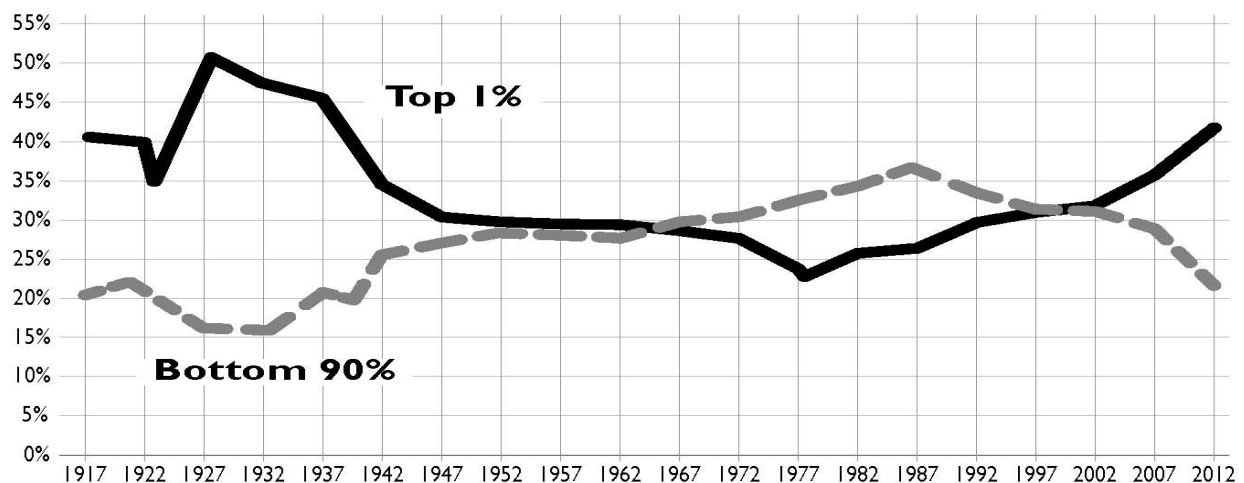
Source: The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2011, www.earncentral.org

Who Can Afford to Live in Delaware?

Sources and Recommended Reading

- Gar Alperovitz, "Inequality's Dead End — And the Possibility of a New, Long-Term Direction," *The Nonprofit Quarterly*, Spring 2015.
Calculator: www.mortgagecalculator.org
- Collins, Chuck, *99 to 1: How Wealth Inequality is Wrecking the World and What We Can Do about It*.
- John Emmeus Davis, *The Affordable City: Toward a Third Sector Housing Policy*, Temple University, 1994.
- Delaware Housing Coalition and others, *Community and Choice: Housing Needs for People with Disabilities in Delaware*, April 2012.
- Delaware Housing Coalition, *Community Impact: The Effects of Assisted Rental Housing in Delaware*, Econsult and Kevin Gillen, October 2012.
- Delaware Housing Coalition, *Investing to Meet Delaware's Affordable Housing Needs: An Economic Impact Analysis*, <http://www.housingforall.org/Final%20DE%20Economic%20Impact%20Study%20November%202004.pdf>
- Delaware State Housing Authority, Delaware Housing Fact Sheets, Affordability Gap, destatehousing.com.
- Delaware State Housing Authority, *Statewide Housing Needs Assessment 2015-2020*.
- Economic Policy Institute (EPI), Minimum Wage Issue Guide, http://www.epi.org/publications/entry/tables_figures_data/
- Martin Gillens, *Affluence and Influence: Economic Inequality and Political Power in America*.
- National Low Income Housing Coalition, *Congressional District Housing Profiles*, www.nlihc.org
- National Low Income Housing Coalition, *Housing Spotlight*, March 2013, www.nlihc.org
- National Low Income Housing Coalition, *Instability Among Our Nation's Veterans*. www.nlihc.org
- National Low Income Housing Coalition, *Out of Reach*, 2015, www.nlihc.org
- Steven C. Pitts (UC-Berkeley Center for Labor Research and Education) and William E. Spriggs, *Beyond the Mountaintop: King's Prescription for Poverty* (Howard University Department of Economics), April 2008. http://laborcenter.berkeley.edu/blackworkers/mountaintop_report.pdf
- Report and Recommendations of the Working Group on Extremely Low-Income Housing Needs*, December 2009, <http://www.housingforall.org/ELI%20WG%20Final%20Report%20121409.pdf>
- Emmanuel Saez and Gabriel Zucman, "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data," *Working Paper 20625*, NBER <www.nber.org/papers/w20625>.
- Estelle Sommeiller and Mark Price, *The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2011*, an Economic Analysis and Research Network (EARN) report published February 19, 2014. go.epi.org/unequalstates
- Technical Assistance Collaborative, *Priced Out 2014: the Housing Crisis for People with Disabilities*
- U.S. Department of Housing and Urban Development, huduser.org, 2011.
- Richard Wilkinson and Kate Pickett, *The Spirit Level*. New York: Bloomsbury Press, 2010.

Share of Wealth of Top 1% & Bottom 90%, 1917-2012



Source: Emmanuel Saez and Gabriel Zucman, "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data," Working Paper 20625, NBER <www.nber.org/papers/w20625>.