

Delaware State Council on Housing



Annual Report
June 30, 2018



The Delaware State Council on Housing fully supports Equal Housing Opportunity, the principles of the United States Fair Housing Act (Title VIII of the Civil Rights Act of 1968) and Delaware Fair Housing Act (Delaware Code Title 6, Chapter 46), and the elimination of discrimination in housing based upon race, color, national origin, creed, sex, marital status, familial status, source of income, age, sexual orientation or disability.

Table of Contents

1. Executive Summary
2. Recommendations for Changes in Law/Policy/Funding
3. Housing Development Fund Activities
4. Non-Housing Development Fund Activities
5. Exhibits
6. Appendices
 - Appendix A: Enabling Legislation, Functions, and Organization
 - Appendix B: Delaware Housing Needs Assessment Overview

Executive Summary

As required by Senate Bill 86, as amended, and passed by the 144th General Assembly in January, 2008 (Exhibit 1), the Delaware State Council on Housing (hereafter referred to as the Council on Housing or Council) presents this Annual Report, covering July 1, 2017 – June 30, 2018. (The enabling legislation, functions and organization of the Council on Housing are contained in Appendix A to this report.)

The Council on Housing advises the Governor, General Assembly, and the Delaware State Housing Authority (DSHA) on housing matters and allows an avenue for citizen involvement. The Council continues to support DSHA's commendable progress in providing affordable housing and community revitalization to the state's low- and moderate-income families and neighborhoods. DSHA offers an array of well-managed and effective programs that address the range of housing needs experienced by Delaware households.

One of the primary state investments in the development of affordable housing is the Housing Development Fund (HDF). Significant funding for affordable purchase and rental housing continues under the HDF. In fiscal year 2018 alone the Council approved resolutions recommending approximately \$10.2 million in loans and grants from the Housing Development Fund resulting in the creation or preservation of 1,540 units of affordable housing or households assisted. These funds also supported homeless services, affordable rentals, homeownership, foreclosure prevention, housing rehabilitation, housing counseling, and coordinated planning for homeless services. Housing initiatives launched this year have created and sustained jobs in the building industry through the creation and rehabilitation of affordable rental housing sites and through the subsidizing of mortgages for first-time homebuyers purchasing new-construction single-family homes.

The Council believes that Delaware receives an excellent return on its investments in housing. Not only is every dollar allocated used for housing but every dollar spent out of the HDF is leveraged on average by \$4 of funding from other sources. In addition to direct leverage, investment in affordable housing spurs significant other economic activity and creates jobs. A 2015 report from the [National Association of Home Builders](#) estimates that the construction of a 100-unit new rental housing development leads to the creation of 161 jobs during the construction phase and an annual, ongoing impact of 44 jobs and \$11.7 million in local income.

We know investment in housing is good policy: for business and the economy, for working families, and for community quality of life. The need for affordable housing in the State of Delaware remains great and is increasing. The foreclosure crisis and the related economic downturn have imposed great stress on the housing system and on working families with low incomes. As we look to the future we know that we need to maximize the positive impact we may have as our housing market, economy and neighborhoods still feel the

lingering effects of the housing crisis. In addition to a report on the work of Council and the Housing Development Fund, this report includes a set of policy recommendations formulated by the Council to address these pressing housing issues.

Recommendations for Changes in Law/Policy/Funding

The members of the Council on Housing applaud Governor Carney and the members of the General Assembly for their continued support of affordable housing and community development initiatives that benefit Delaware's families, neighborhoods and communities. The diverse investments in affordable housing in the Housing Development Fund, Affordable Rental Housing Program, State Rental Assistance Program (SRAP), Strong Neighborhoods Housing Fund (SNHF) and Downtown Development Districts (DDD) program reflect how critical housing is to all the social and economic outcomes that we care about as a State.

We especially commend the Governor and General Assembly for increasing their investment in neighborhood redevelopment with addition of \$3 million for the Strong Neighborhoods Housing Fund in the FY2019 budget. This fund, established in FY2015 with an allocation of Settlement funds, targets the redevelopment of vacant and abandoned property in distressed neighborhoods as part of comprehensive community revitalization plans. Including it in the FY2019 budget reflects the fact that the need for this type of reinvestment is not one-time or solely the result of the foreclosure crisis, but an ongoing need.

Safe, decent homes are a part of Delaware's infrastructure and support for these efforts should not be an afterthought in the budget process. It is vital that funding for these programs be prioritized and reliable, with a secure place in the State's annual base budget. One or more dedicated revenue sources are necessary to ensure long-term sustainable funding.

Federal funding is the most significant source of support for housing needs, ranging from rental assistance to project financing, community development and services. Many vital federal programs have been targeted for significant cuts in recent budget proposals. Dramatic cuts, or even elimination as has been proposed for the Community Development Block Grant (CDBG) and HOME Investment Partnerships programs, would increase affordable housing needs in Delaware and demand on state resources.

We also commend the General Assembly and Governor for housing-related policy initiatives accomplished in 2018:

- Reversing the increase in the real estate transfer tax for first-time homebuyers ([HB 380](#));
- Establishing a process for state agencies to pursue Pay for Success contracts to improve outcomes and spur private investment ([SB 242](#));
- Doubling the amount of Neighborhood Assistance Act (NAA) tax credits available to people and businesses contributing to nonprofits serving low-income households and neighborhoods ([SB 224](#));
- Establishing a Task Force on the Manufactured Home Owners and Community Owners Act ([HR 24](#));

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- Establishing a process for the removal of prohibited discriminatory language from restrictive covenants and deed restrictions ([SB 243](#));
 - Passing legislation making the state Earned Income Tax Credit (EITC) refundable ([HB 113](#)).

Based on experience and research such as the Delaware Housing Needs Assessment 2015-2020, the members of the Council on Housing believe the following six principal objectives should continue to guide Delaware's efforts with the ultimate goal of providing affordable housing options to its citizens while targeting community development and strengthening communities:

1. Preserve and expand the availability of affordable rental housing in Delaware;
2. Increase access to homeownership for first-time and low-income homebuyers, using both traditional and innovative methods of housing finance delivery;
3. Invest in the state's housing stock to improve homes in substandard condition and neighborhoods where such conditions are concentrated;
4. Provide accessible, visitable, energy efficient and healthy homes;
5. Implement ways to offer better housing solutions to extremely-low-income families; and
6. Advance policies that promote diverse and inclusive communities and offer equal access to housing for all of Delaware's residents.

Specifically, we recommend that the Governor, General Assembly, the Director of DSHA and other local, county and state officials collaborate and focus to maximize impact of scarce resources to:

1. Support the Housing Development Fund by increasing the General Fund base budget and Affordable Rental Housing Program (ARHP) in the bond bill, as these funds are focused on creating and preserving affordable rental housing, the State's most pressing housing need.
2. Support financial mechanisms and programs (including the Housing Development Fund) to increase responsible homeownership, and help preserve homeownership for homeowners needing assistance with home repair or who are facing foreclosure and able to regain financial stability. Homeownership is a critical economic driver, but also one of the most important ways low- and moderate-income families build wealth.
3. Increase funding for the State Rental Assistance Program (SRAP). SRAP provides rental housing options for low-income youths exiting foster care, reuniting families, and people exiting or at risk of entering Delaware's long-term care institutions. SRAP is a proven program that serves the needs of Delaware's most vulnerable, but the needs exceed resources. While capacity has been added specifically for the population served by the Division of Substance Abuse and Mental Health (DSAMH), the annual budget

allocation of \$3 million has not been increased since it was first included in the Operating Budget in FY2013.

4. Strengthen the State's Fair Housing laws by creating protections to end discrimination based on source of income, including the use of a housing voucher. Vouchers are a proven and effective program model, and can be a critical tool for improving mobility and access to higher-opportunity areas for families with low incomes. Scarcity of rental housing in these areas combined with common policies to not accept housing vouchers is a major barrier.
5. Reduce and effectively end homelessness in Delaware by supporting systems change that advances evidence-based best practices in response to local needs and increasing investments in these programs. Approaches such as prioritizing low-barrier permanent housing, outreach, and rapid rehousing, have been successful in the effort to end veteran homelessness.
6. Further land use and planning policies that increase affordable housing options in higher-opportunity areas for low-income families. Regulatory barriers to the development of affordable housing such as conditional zoning for higher densities and fees should be reduced. Housing must be a critical component of all local and economic development planning to create affordable housing that is integrated both in the community and near infrastructure such as employment opportunities, transit and schools.
7. Advance State, County and local policies and strategies that address blight in distressed neighborhoods and rebuild successful downtown areas as vibrant places to live, work, and engage in community life. Ongoing funding for the Downtown Development Districts (DDD) program and the Strong Neighborhoods Housing Fund, created to address vacant, abandoned or foreclosed properties as part of neighborhood revitalization efforts, is critical to these goals.

HDF Activities

The Housing Development Fund (HDF) is authorized under Title 21 of the Delaware Code and provides financing for developers and homeowners through sponsor agencies. Activities of the sponsor agencies include the acquisition and/or rehabilitation of existing housing, the adaptive re-use of non-residential buildings, and new construction to provide affordable housing to low- and moderate-income families and individuals in Delaware.

The HDF is funded through a number of sources. The state allocates a base budget in the amount of approximately \$4 million from the General Fund each year. The Housing Development Fund received an additional allocation of \$6.0 million in the State Fiscal Year 2018 Bond Bill earmarked for the affordable rental housing development. In addition to state funding, the HDF receives income from a portion of the Recorder of Deeds fee – a dedicated revenue source. Lastly, income generated from interest earnings and repayments of HDF loans are recycled back into the fund.

In FY18, the Council recommended the funding of seventeen loans and grants for a total of approximately \$10.2 million to organizations working in affordable rental housing, homeownership, housing counseling and homeless services. 1,540 units of affordable housing were created and/or preserved or households assisted. An overview description of the FY18 Allocations is included in Exhibit 2. The operations of Delaware State Housing Authority are entirely self-sustaining – all appropriations to the Housing Development Fund are allocated to housing projects and programs.

HDF INCOME SOURCES IN FY 2018	
Base Budget (General Fund)	\$4,000,000
Affordable Rental Housing Program (Bond Bill)	\$6,000,000
Recorder of Deed Fees	\$1,059,754
Interest Income	\$1,609,727
Loan Repayments	\$4,805,703
Fund Transfers	\$12,608
Total	\$17,487,792

HDF Project Highlight: Sussex County Habitat for Humanity – Seaford Redevelopment

Sussex County Habitat for Humanity is building two homes in the Downtown Development District of Seaford, Delaware. Downtown Seaford, Phase II, was awarded a \$100,000 Housing Development Fund Grant, which was leveraged to raise \$200,000 in non-DSHA funding. The two homes, located on N. Conwell Street, were abandoned properties in poor condition. Both existing structures were demolished to make way for two new homes that are currently under construction. These affordable, energy efficient homes are expected to appraise for around \$140,000 with an average monthly payment of \$455. They are sold at the appraised value to families whose incomes are below 60% of Area Median Income (AMI) using not-for-profit mortgages. Founded in 1991, Sussex Habitat has built 133 homes in partnership with very low to low-income families. Seven more homes are currently under construction in the county. By preparing qualified Habitat homebuyers through required pre and post-ownership counseling and financial coaching, Sussex Habitat builds strength, stability, and self-reliance in the families they serve.

Downtown Seaford, Phase II, is expected to be completed and sold in late 2018 to partner families currently in the Habitat homeownership program. To date, Sussex County Habitat has built and rehabbed 25 homes in the greater Seaford area, including Downtown Seaford Phases I and III, both awarded HDF funds.



HDF Project Highlight: Market Street Apartments

Milford Housing Development Corporation (MHDC) is advancing the rehabilitation and refinancing of Market Street Apartments in Bridgeville. This development, originally a grocery store which was reconfigured into a 34-unit three story apartment building, provides 34 units of subsidized housing for seniors. As part of the rehabilitation, the existing common areas on each floor are being renovated and expanded to include a fully accessible restroom, computer lab and workspace/hobby area, kitchenette and open meeting rooms. The HDF investment is leveraging a loan from USDA Rural Development, HOME financing through DSHA, and Low Income Housing Tax Credits. The rehabilitation and refinancing will preserve federal rental subsidies through USDA Rural Development and the ongoing affordability of the project for very low-income seniors.



Non-HDF Activities

The Council on Housing has expanded the way it views its role within the state. In an effort to become knowledgeable on housing matters and to influence housing policy more broadly, Council also engaged in the following activities:

- 1) Council provided testimony supporting increased funding for the Housing Development Fund at public hearings during the state budget process including the Budget Public Hearing, Joint Finance Committee Hearing, and Bond Bill Committee Hearing.
- 2) Individual members of the Council attended many housing workshops and trainings, conferences and other events, served on funding review panels, and participated in housing studies.

In FY2018, The Council also worked to implement the new [strategic plan](#) it developed over the course of FY2017. The priority areas of the plan are to optimize Council operations; be an effective advocate and advisor; sustainable funding; and effective and efficient use of funding. The plan lays out goals in each of these areas, identifies benchmarks and responsibilities for actions to accomplish these goals, and establishes an annual timeline of activities and benchmarks.



*Back row (left to right): Connie S. Harrington, Francis R. Julian, Norma H. Zumsteg, Ruth S. Sokolowski
Front Row: Hugh D. Leahy, Corrine M. Massey, Vincent M. White
Not pictured: Robert V. A. Harra III, Donna G. Mitchell, Ralph W. Peters*

Exhibits

Exhibit 1:

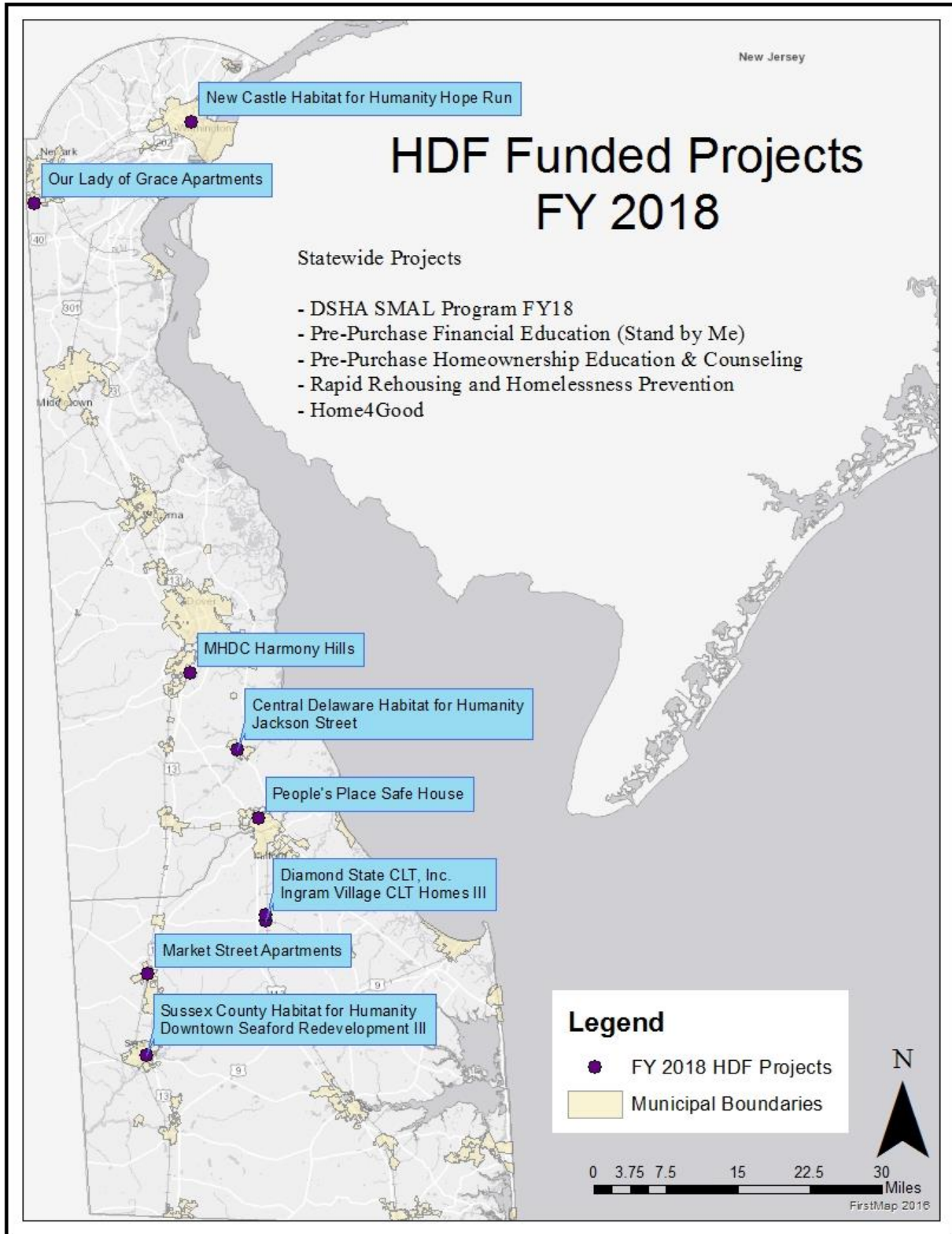
Chapter 40 of the Delaware State Code, states that, "The Council shall issue an annual report to the Governor, the Housing Director and the General Assembly on its activities, as well as the housing needs of this State, key statistics and trends, HDF expenditures and any recommendations for changes in law, policy and/or funding related to housing."

Exhibit 2:

Housing Development Fund FY 2018 Council Approved or Recommended Funding Detail:

	Location	Owner Units	Rental Units	Council Date	Loan Amount	Grant Amount
Central Delaware Habitat for Humanity Jackson Street"	Dover	2		12/16/17		\$70,000
New Castle Habitat for Humanity Hope Run	Wilmington	4		12/16/17		\$100,000
MHDC Harmony Hills	Dover	5		12/16/17		\$250,000
Diamond State CLT, Inc. & Ingram Village CLT Homes III"	Ellendale	3		12/16/17		\$60,000
Sussex County Habitat for Humanity & Ingram Village Phase IV	Ellendale	5		12/16/17		\$175,000
Sussex County Habitat for Humanity & Downtown Seaford Redevelopment III	Seaford	3		12/16/17		\$150,000
DSHA SMAL Program FY18	Statewide	450		8/9/17		\$1,500,000
Pre-Purchase Financial Education (\$stand by Me)	Statewide	500		2/14/18		\$75,000
Pre-Purchase Homeownership Education & Counseling	Statewide		TBD	11/8/17		\$300,000
Rapid Rehousing and Homelessness Prevention	Statewide		464	10/10/17		\$510,000
Home4Good	Statewide		TBD	4/11/18		\$500,000
People's Place Safe House	Milford		10	1/8/18		\$50,000
Our Lady of Grace Apartments	Newark		60	6/4/18	\$3,000,000	
Market Street Apartments	Bridgeville		34	6/19/18	\$3,494,751	
FY 2018 Total		972	568		\$6,494,751	\$3,740,000

Exhibit 3:



Appendix A: Enabling Legislation, Functions, and Organization

The Council on Housing is authorized by the Delaware Code, found at Title 31, Chapter 40, Subchapter IV, §4040. Its principal duties are to study, research, plan and advise the Governor, Housing Director and General Assembly on housing matters and recommend funding of loans and grants through the Housing Development Fund. The Council on Housing consists of 11 members appointed by the Governor, and meets the second Wednesday of each month. The Council's meeting minutes, agendas and bylaws are available at <http://www.destatehousing.com/DirectorsOffice/council.php>.

According to state code, Council membership must include 2 members from each county, 2 members that reside in the City of Wilmington and 3 members at large, 1 of which is a member of a tenant organization and there shall be no more than a bare majority representation of one major political party over the other major political party. The term of appointment to the Council is 3 years. Members are eligible for reappointment.

The members of Council as of June 30, 2018 are:

Vincent M. White (Chair)

Donna G. Mitchell (Vice Chair)

Dianne W. Casey

Robert V.A. Harra III

Connie S. Harrington

Francis R. Julian

Hugh D. Leahy

Douglas A. Motley

Corrine M. Massey

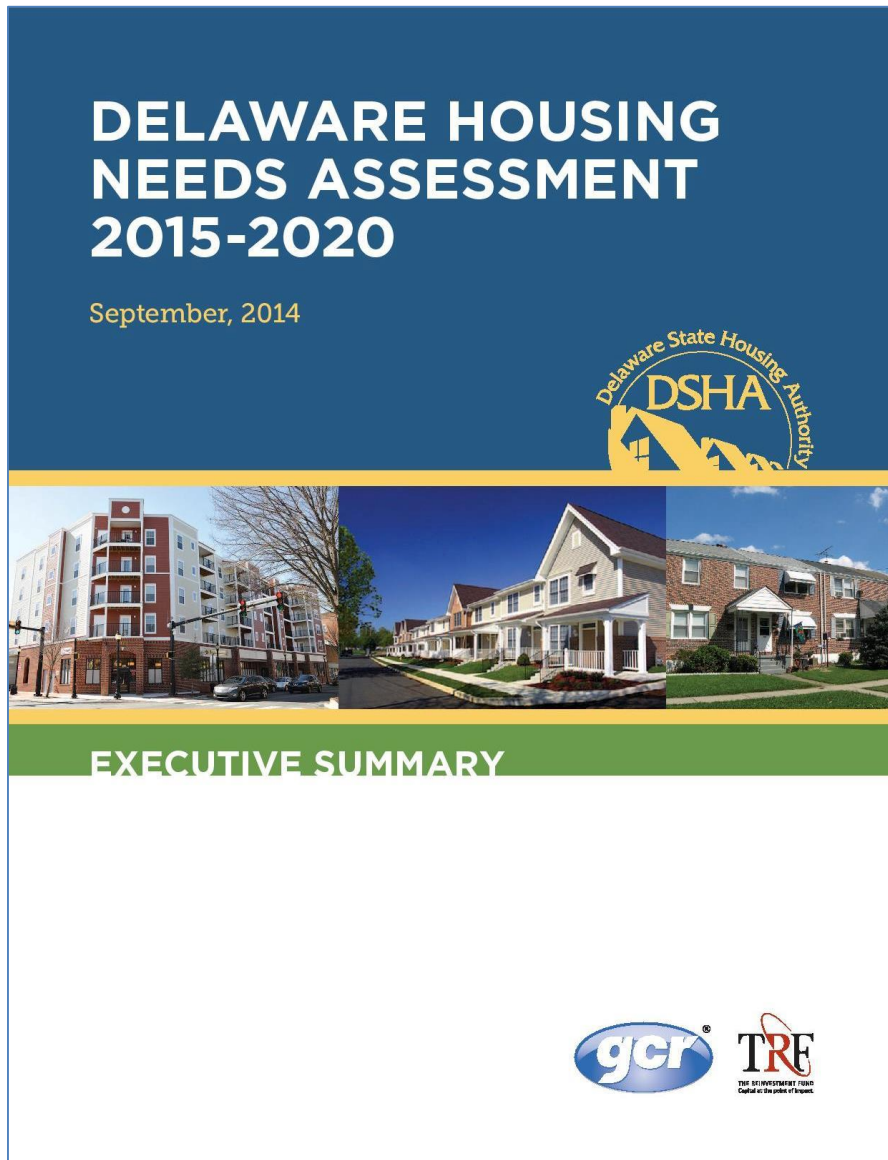
Ralph W. Peters

Norma H. Zumsteg

Four (4) standing committees – Loan Review, Communications, Operations, and Housing Policy – support the work of the Council. The Loan Review committee reviews Housing Development Fund applications with DSHA staff prior to action by the full Council and determines which applications are ready for full Council consideration. The Communications committee prepares and disseminates communications to the Governor, members of the General Assembly and the public. The Operations committee oversees all governance, compliance, nominating and member services duties of Council. The Housing Policy Committee assists the Council to review program policies concerning activities conducted by the Delaware State Housing Authority and to develop sound policy positions regarding affordable housing needs and initiatives in Delaware.

Appendix B: Delaware Housing Needs Assessment Overview

The following is a reproduction of the Overview taken from the Executive Summary of the Delaware Housing Needs Assessment 2015-2020 for the state of Delaware study conducted by the Delaware State Housing Authority. The excerpt is included here with the permission of DSHA. The full report is available at www.destatehousing.com.



DELAWARE HOUSING NEEDS ASSESSMENT



The Delaware State Housing Authority's *Housing Needs Assessment, 2015-2020* addresses the state's most pressing housing issues and provides an estimate for future housing demand between 2015 and 2020. The report was developed over a one-year period, from September 2013 through August 2014, using quantitative data and feedback from housing stakeholders, real estate developers, lenders and policy makers.

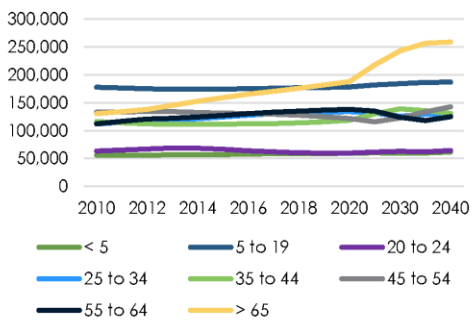
Because Delaware has a variety of housing markets, the study also illustrates housing needs within neighborhoods and market areas. This will assist policy makers to tailor program responses to neighborhood needs and local markets, where issues of affordability, fair housing, housing shortages and blight are most relevant.

DEMOGRAPHICS

Key Facts

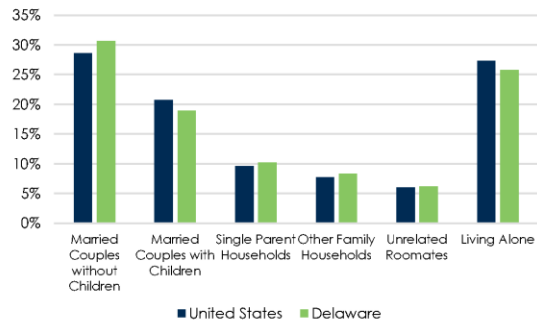
- Delaware is a fast-growing state, estimated to add 42,000 households between 2010 and 2020, representing 12% growth over a 10-year period.
- Household growth can largely be attributed to the influx of retirees into Delaware, attracted by tax incentives, relatively affordable housing stock and beach communities. Over 80% of projected household growth is from out-of-state households moving to Delaware.
- Delaware is less diverse racially and ethnically than national average, with 34% of the population identifying as minority, compared to the 37% in the U.S. (Minority defined as all who identify as non-white and/or Hispanic). 61% of minority households are non-Hispanic African Americans, and 23% are Hispanic. More than half of the state's Hispanic households live in the North New Castle County submarket, with significant populations also in Sussex County.
- Households are becoming smaller, impacting the types of housing most in demand. There are more unmarried adults and couples without children than in previous generations, increasing the demand for smaller units. Married couples without children and single individuals without children account for 31% and 26% of all households, respectively.

Population Projections by Age, 2010-2040



Source: Delaware Population Consortium, October 2012

Household Types and Family Status



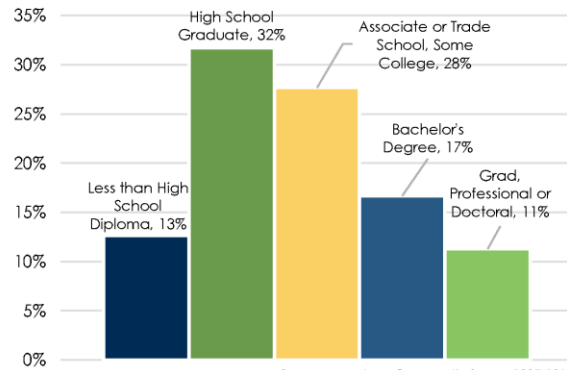
Source: American Community Survey, 2007-2011

ECONOMY

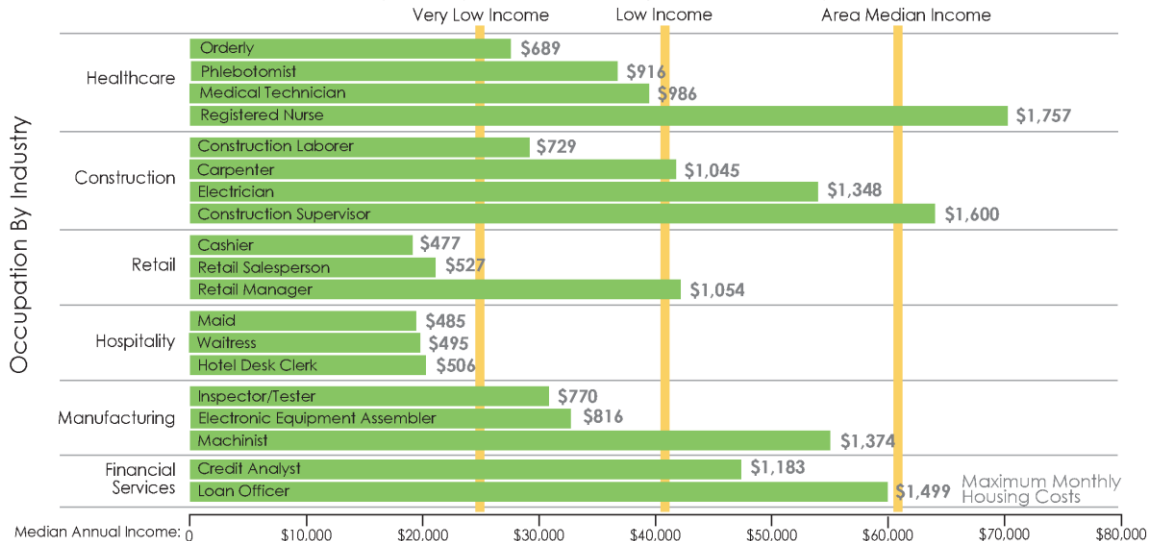
Key Facts

- The economic downturn of 2006-2010 substantially impacted Delaware's economy. The unemployment rate spiked from 3.4% in October 2006 to 8.4% in December 2009, and as of July 2014, is 6.2%, matching the U.S. unemployment rate of 6.2%. Industries with the biggest relative job losses were the banking and credit industries, manufacturing, and construction.
- The state's economy is slowly recovering, and is expected to add 48,450 jobs between 2010 and 2020, representing a 1.07% annual job increase. Occupations with the greatest net job gains include cashiers, retail salespersons and managers and nurses. Many current and future workers in the fastest growing industries and occupations earn low wages, making it challenging to afford market rate rental housing, let alone buy a home. For example, a cook earns below \$30,000 a year and can afford a monthly mortgage or rent payment of \$564.
- Delaware's top five industries are Finance and Insurance; Arts and Entertainment; Management of Companies; Utilities; and Healthcare. With the exception of Arts and Entertainment, the majority of these jobs require specialized training and a post-secondary education. Yet 13% of working-age Delawareans have no high school degree, and another 32% have only a high school degree, limiting the ability of many workers to access these higher paying jobs.

Educational Attainment for Adults 25+ Years Old in Delaware



Maximum Monthly Rent by Occupation Using HUD Affordability Guidelines

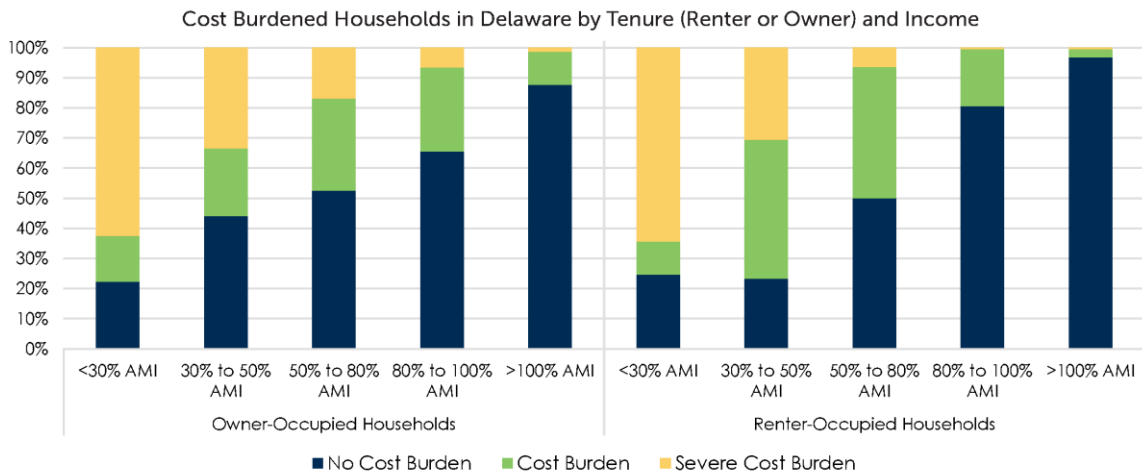


DELAWARE HOUSING NEEDS ASSESSMENT

HOUSING CHALLENGES

The *Delaware Housing Needs Assessment* addresses the housing challenges families face in securing decent housing that is affordable to them. The analysis relies on a dataset published by HUD, the Comprehensive Housing Affordability Strategy (CHAS), which reports the number of households living with housing conditions, defined as follows:

- **Cost Burden** - A household is paying more than 30% of their income on housing, leaving limited funds for other necessities like food, clothing and healthcare. Households paying more than 50% of their income on housing are severely cost burdened.
- **Overcrowding** - A household is living in overcrowded conditions if there are more people than rooms. Severe overcrowding is when there are more than 1.5 persons per room.
- **Inadequate Conditions** - A household is living in inadequate conditions if they do not have complete kitchen facilities (consisting of a sink, kitchen and stove) or complete bathroom facilities (consisting of a sink, toilet, and tub or shower).
- There are currently 44,000 renters and 70,000 owners with housing challenges in Delaware, equivalent to 51% of all renters and 21% of all owners.
- Among renters, the greatest need is among very low and extremely low income renters (<30% AMI or <30% AMI), where 18,365 very low and extremely low-income renter households - with income below about \$25,000 - are severely cost burdened, paying more than 50% of their income for housing costs.
- Among homeowners, the greatest need is among extremely low income homeowners (<30% AMI), where 78% are burdened by the cost of housing, and 63% pay more than 50% of their income on housing costs.
- Hispanic (of any race) and African American homeowners are disproportionately cost burdened in comparison to White, non-Hispanic homeowners. 47% of Hispanic homeowners and 37% of African American homeowners pay more than 30% of their income on housing, compared to 12% among White, non-Hispanic households.



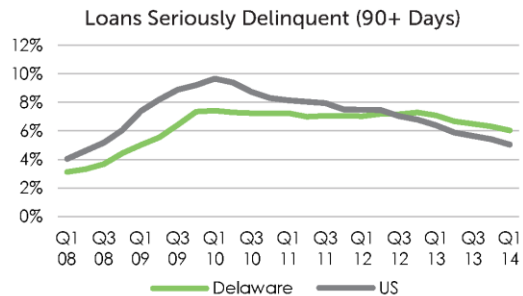
HOUSING CLIMATE

Key Facts

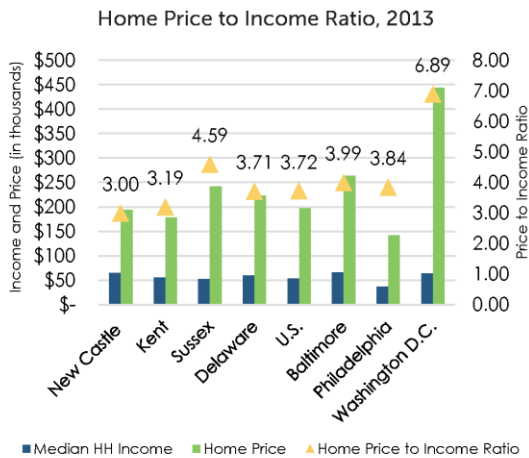
- Delaware's housing market has been extremely volatile in the past decade due to the housing bubble and ensuing collapse of the housing market, leading to an increase in foreclosures and lower home values. From 2006 to 2013, the median sale price for all homes dropped approximately 15%, while the percent of loans past due increased from 3.5% in 2006, peaked at 9.2% in 2010, and had fallen to 6.8% in the second quarter of 2014.
- Fewer households of all ages are homeowners. The greatest drop in homeownership rates is among 35 to 44 year old homeowners, followed by homeowners less than 35 years old, reflecting changes in housing preference, high unemployment and more stringent lending practices.
- More households are renters now than any time in the past 20 years, increasing demand for rental housing stock and limiting availability of rental housing for low income households. Because residential construction has largely focused on single family development in the past two decades, much of the current rental housing stock is older and likely in need of repairs.

	Delaware		U.S.	
	Number	%	Number	%
All Housing Units	403,095	100%	131,034,946	100%
Occupied Rental Units	90,029	22%	38,864,600	30%
Occupied Owned Units	242,808	60%	75,896,759	58%
Vacant Units	70,258	17%	16,273,587	12%
For Rent or Rental	12,103	3%	3,923,897	3%
For Sale or Sold	8,904	2%	2,520,015	2%
Seasonal	38,890	10%	4,885,710	4%
Migrant Workers	182	0%	34,398	0%
Other	10,179	3%	4,909,567	4%

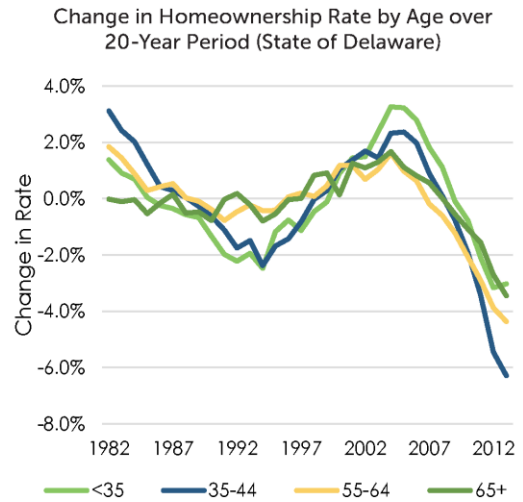
Source: American Community Survey 2007-2011



Source: Mortgage Bankers Association, National Delinquency Survey



Source: American Community Survey 2007-2011



Source: American Community Survey 2007-2011

For the full report and interactive reporting portal, please visit: <http://www.destatehousing.com>

DELAWARE HOUSING NEEDS ASSESSMENT

Delaware State Council on Housing

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