

Final Report

November 2023

Delaware State Housing Authority Statewide Housing Needs Assessment

Prepared for

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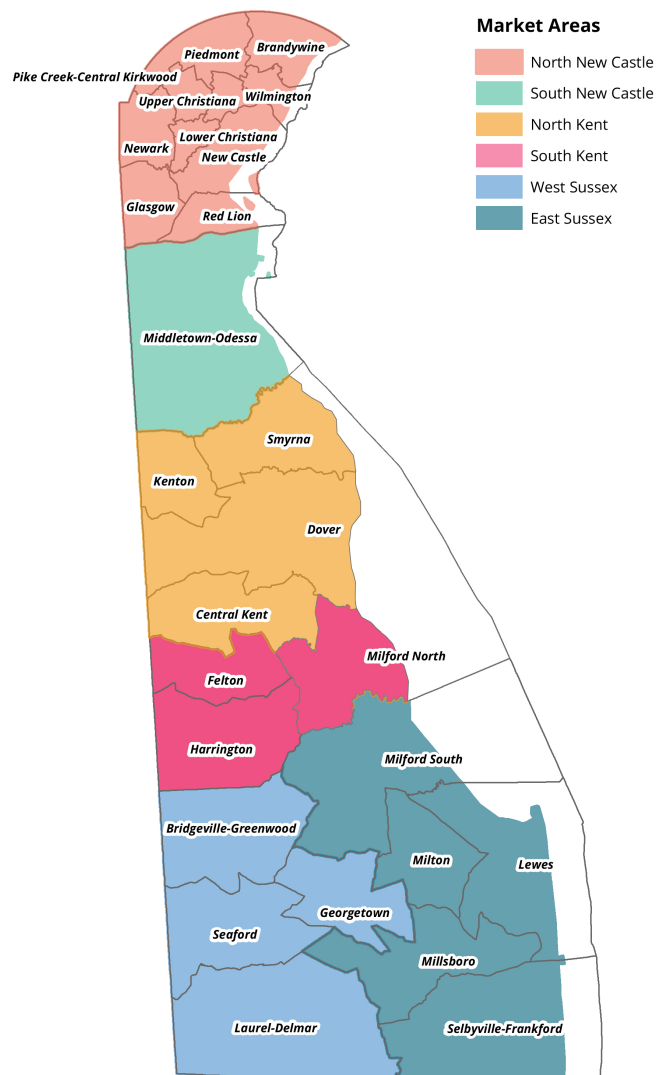


EXECUTIVE SUMMARY

Map of County Census Divisions by Market Area

Source:

U.S. Census Bureau, Decennial Census and Root Policy Research



EXECUTIVE SUMMARY

This **State of Delaware Housing Needs Assessment** was conducted in 2023 to provide current data on housing costs, affordability, and projected housing needs.

The Delaware Housing Needs Assessment (HNA) is intended to:

1. **Inform policymaking** to ensure that federal and state policies result in meaningful solutions to housing needs;
2. **Advocate for increased funding** to respond to housing challenges;
3. **Examine the adequacy** of current and planned housing programs; and
4. **Understand inequities** in how different types of Delawareans experience the housing market.

The economic consequences of unstable housing. Housing stability occurs when households can consistently afford to pay their rent or mortgage without cutting back on essential expenses like food, or health care. When households have stable housing, they can contribute to their local economy, support the economic growth of their families, and manage their families' health and well-being.

Rising housing costs have increased the number of Delaware households that are housing unstable. Currently, 50% of Delaware renters and 20% of owners pay more than 30% of their gross income in housing costs, higher than the industry standard for affordability. 8% of Delawareans are living out of their cars, couch surfing, or temporarily living with friends or family.

There are many negative consequences of housing instability that have broader economic effects, such as:

- Low income renters who experience eviction have increased risks of homelessness, reduced earnings, and challenges accessing credit;¹
- Low income homeowners cannot make needed improvements to preserve the condition of their homes and enable them to age in place;
- Moderate income renters have difficulty achieving ownership and passing on wealth to their families; and
- Existing businesses, particularly health care entities and businesses that support tourism, cannot find workers and maintain standard operating hours.

¹ <https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2022/wp22-40.pdf>

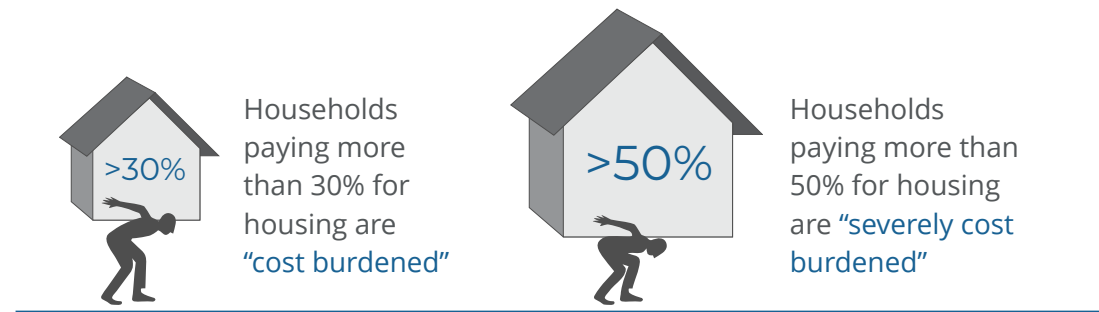
EXECUTIVE SUMMARY

DEFINING AND MEASURING “AFFORDABILITY”

The most common definition of housing affordability is linked to industry standards. The federal government considers housing as affordable when the housing payment—the rent or mortgage payment plus taxes and utilities—consumes 30% or less of a household’s gross income. Households paying more than 30% are “cost burdened.” Households experiencing cost burden have less money to spend on other essentials like healthcare, education, groceries, and transportation—adversely affecting their household well-being, limiting their economic growth potential, and constraining local spending.

Federal definition of affordability

- 1) Housing costs are “affordable” if they do not exceed 30% of household’s gross monthly income
- 2) “Costs” include basic utilities, mortgage insurance, HOA fees, and property taxes



The HNA analysis uses both household income ranges and “Area Median Income (AMI).” AMI is a measure of income based on the median, or middle income household. AMI is different for the state and counties.

Two Person AMI for Delaware and Counties, 2021

Source:

HUD Income Limits and Root Policy Research.

2-person AMI	Delaware	New Castle County	Sussex County	Kent County
30% AMI	\$19,920	\$22,680	\$18,030	\$16,560
50% AMI	\$33,200	\$37,800	\$30,050	\$27,600
60% AMI	\$39,840	\$45,360	\$36,060	\$33,120
80% AMI	\$53,120	\$60,480	\$48,080	\$44,160
100% AMI	\$66,400	\$75,600	\$60,100	\$55,200
120% AMI	\$79,680	\$90,720	\$72,120	\$66,240

EXECUTIVE SUMMARY

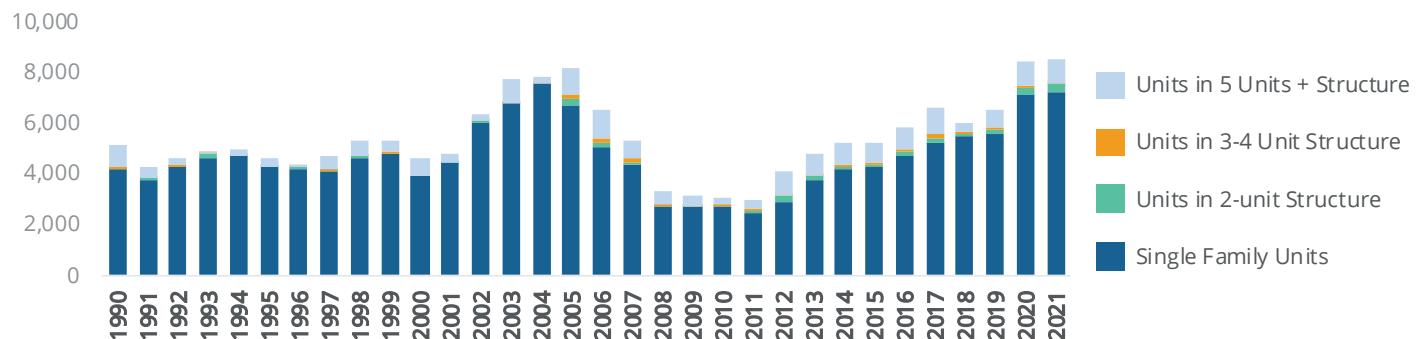
POPULATION GROWTH

Delaware's population growth has fluctuated over time, with the most substantial growth during the 1960s and 1990s. The state now has more than one million residents. Population grew by 92,000 people from 2010 to 2020e—a 10% increase. The state's steady increase in population represents expanded economic opportunities and a desire for living near the beach and urban hubs—and also housing challenges that impact households and housing markets with varying intensity. Compared to growth during the 1990s and 2000s, recent population growth has been lower in both numbers and percent change. Like many states, Delaware's population is aging and more people are living alone. The state is also growing more racially and economically diverse.

Between 2010 and 2020, there were fewer housing units built than needed to keep up with household growth, resulting in a shortfall. An estimated 6,760 more units were needed to keep up with growth.

Building Permits, Delaware, 2000-2021

Source:
US Housing Production
Report and Root Policy
Research.



This varied by housing market:

- Housing development exceeded household growth in North New Castle, East Sussex, and, to a lesser extent, South New Castle. In East Sussex, excess housing production is reflective of recreational home use.
- Housing development was short of household growth in West Sussex, North Kent, and South Kent.

HOUSING STOCK

After 2019, residential building activity increased and has reached pre-recession levels. 8,500 housing units were permitted in 2021, 85% of which were for single family detached homes.

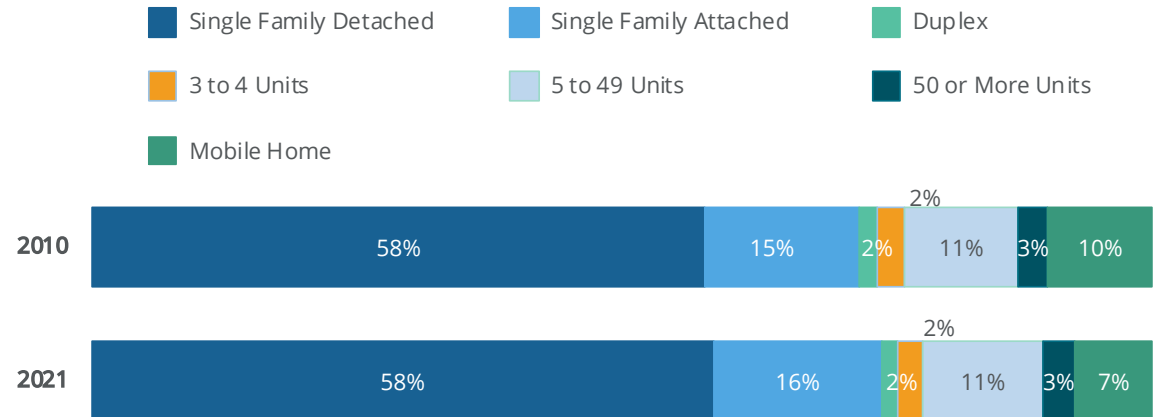
The current types of housing being built are similar to past development. **The composition of the state's housing stock has changed little over time, with the most significant change being a 6,800 unit decrease in manufactured or mobile homes.**

EXECUTIVE SUMMARY

Housing Unit Type, Delaware, 2010 and 2021

Source:

2010 and 2021 5-year ACS and Root Policy Research.



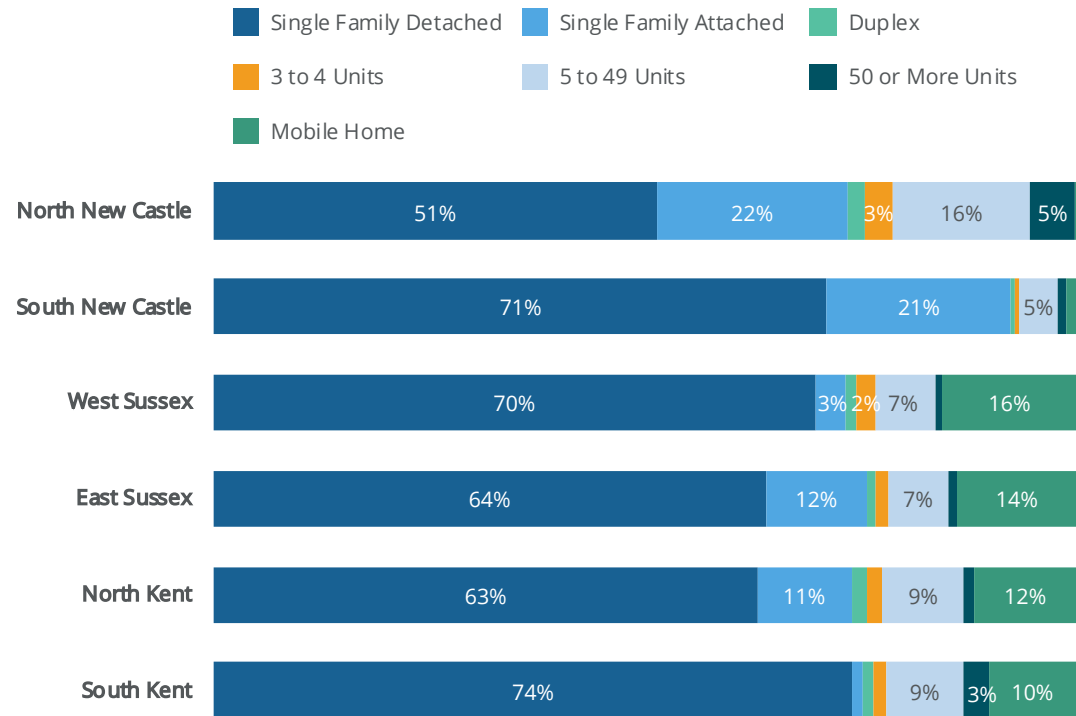
Housing types vary by housing market. North New Castle has the most housing type diversity, followed by North Kent and East Sussex.

South Kent has the largest share of single family detached housing stock at 74%, followed by South New Castle (71%) and West Sussex (70%). North New Castle and South New Castle have the largest shares of housing in townhomes and rowhomes (22% and 21%).

EXECUTIVE SUMMARY

Housing Unit Type, by Housing Market, 2021

Source:
2021 5-year ACS and Root Policy Research.



The types of units built affect housing affordability and the racial and ethnic diversity of neighborhoods. White, higher income families mostly occupy single family detached homes. Black, Hispanic, Asian, multi race/ethnicity and single parent households are most likely to occupy single family attached or

units small multifamily developments. Households with disabilities are the most likely to occupy mobile homes.

Recent building permit activity may not meet the affordability needs and preferences of diverse households.

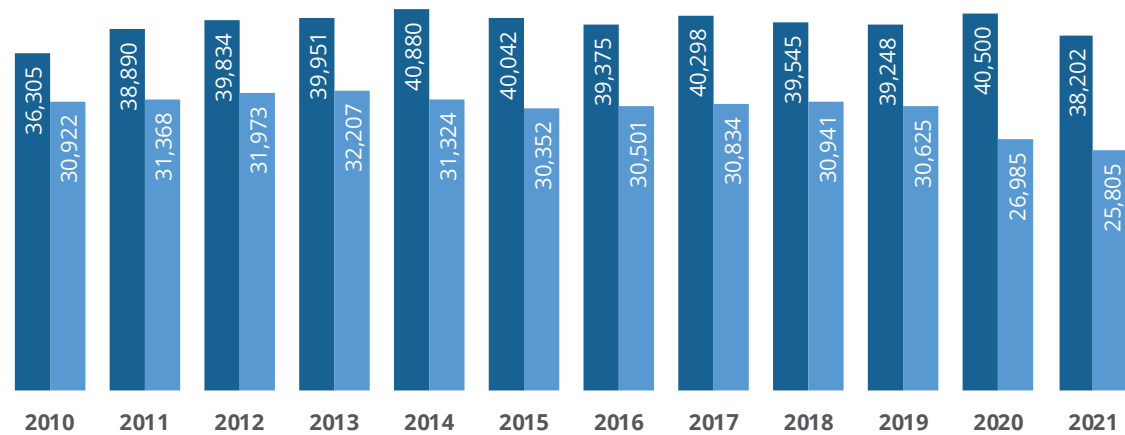
EXECUTIVE SUMMARY

Vacant Units, Delaware, 2010-2021

■ For seasonal, recreational, or occasional use ■ All other vacant units

Source:

2010-2021 5-year ACS and Root Policy Research.



Approximately 64,000 of Delaware's 445,000 housing units were vacant in 2021. **The majority of these vacant units—38,200 units—are seasonal or vacation use homes.** Just 6,500 units were vacant and for rent and 3,800 were vacant and for sale.

Seasonal or vacation use homes make up 8.5% of the state's total housing stock. Units for rent make up 1.5%, and units for sale make up less than 1%.

13,300 of Delaware's housing units receive some type of public assistance. These **affordable units make up 3% of the state's housing stock.** Approximately 5,800 are housing choice voucher subsidies used in private rentals; 4,700 are vouchers used in

subsidized rentals; 2,100 are public housing units; and 750 are rental units specified for seniors and persons with disabilities.

71% of publicly assisted units are located in New Castle County; 19% in Kent County; and 10% in Sussex County. This compares to 58% of the state's population located in New Castle County; 18% in Kent County; and 24% in Sussex County.

Publicly assisted units are disproportionately concentrated in New Castle County. Kent County has a relatively equal share of publicly assisted units compared to population. Sussex County has a much lower share of publicly assisted units relative to population.

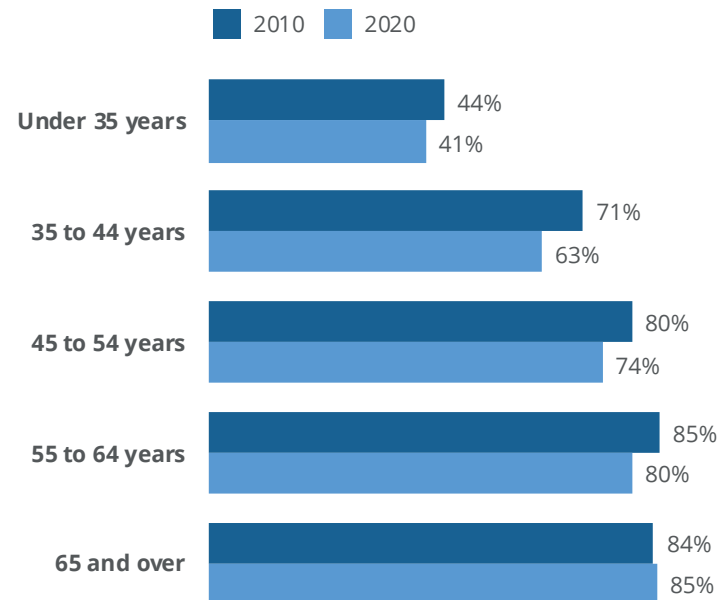
EXECUTIVE SUMMARY

HOMEOWNERSHIP

The homeownership rate in Delaware is 71%, much higher than the U.S. rate of 64%. The state's homeownership rate has declined from 74% in 2010.

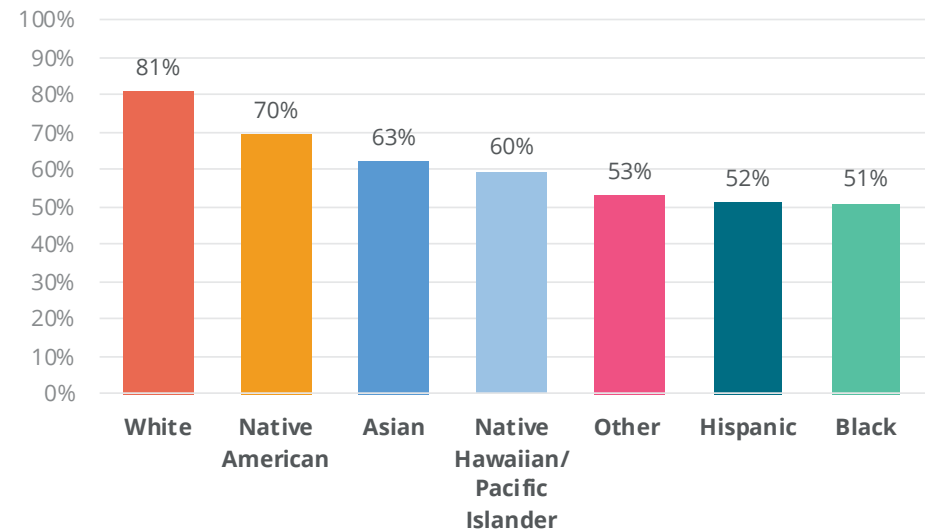
Since 2010, **the homeownership rate has dropped for all age cohorts except seniors**, with the largest decline among ages 35 to 44, where the rate dropped from 71% to 63%.

Homeownership Rate by Age, Delaware, 2010 and 2020



There are significant ownership gaps by race. **81% of White households are homeowners compared to 52% of Hispanic households and 51% of Black households.**

Homeownership Rate by Race and Ethnicity, Delaware, 2020



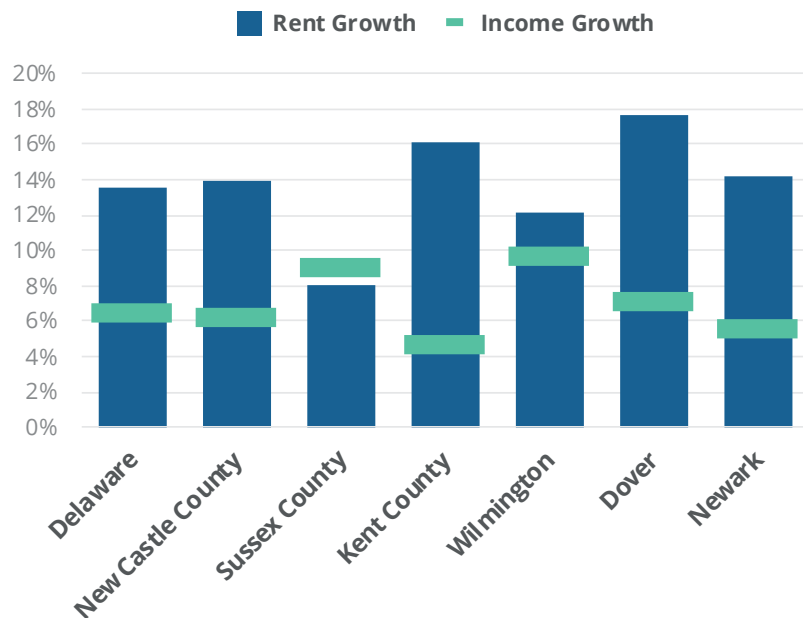
Source: 2010 and 2019 ACS, HUD, and Root Policy Research.

South New Castle has the highest ownership rate across races, including an 80% ownership rate for Black households.

EXECUTIVE SUMMARY

In the past three years, renter income has risen, but at a much slower rate than needed to keep up with rising rental costs. This is true of all market areas except for in Sussex County, as shown below. As renters pay more of their income in rent, they have trouble saving for a down payment on a home, which decreases the homeownership rate.

Rent v. Renter Income Growth, Delaware, 2019-2021

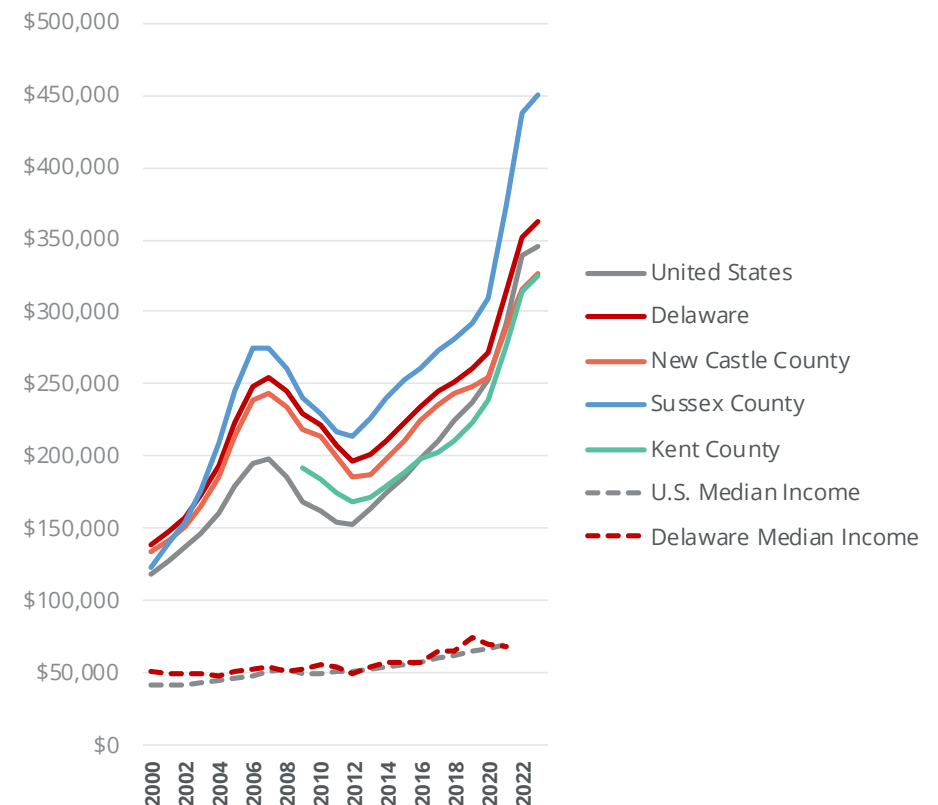


Source: CoStar, 2021 5-year ACS, and Root Policy Research.

The divide between income growth and home value growth is vast in Sussex County. However, home value increases in all Delaware counties have outpaced growth in median income,

which has been modest. Delaware's home values have consistently been higher than in the U.S. overall, but median income has tracked closely with the U.S.

Typical Home Value and Median Income, Delaware, 2000-2023



Note: Data for 2023 represents the typical home value for January through June.

Source: Zillow Home Value Index, Federal Reserve Bank of St. Louis, and Root Policy Research.

EXECUTIVE SUMMARY

CURRENT HOUSING NEEDS

Overall, 50,000 renters in Delaware are cost burdened, with 25,000 severely cost burdened—paying more than 50% of their income in rent.

For renters with incomes of \$35,000 and less, the cost burden is lowest when they are living in multifamily complexes with 50+ units. Such complexes are rare except in New Castle County, limiting low income renters' affordable housing options. For moderate income renters, the burden is lower when they are

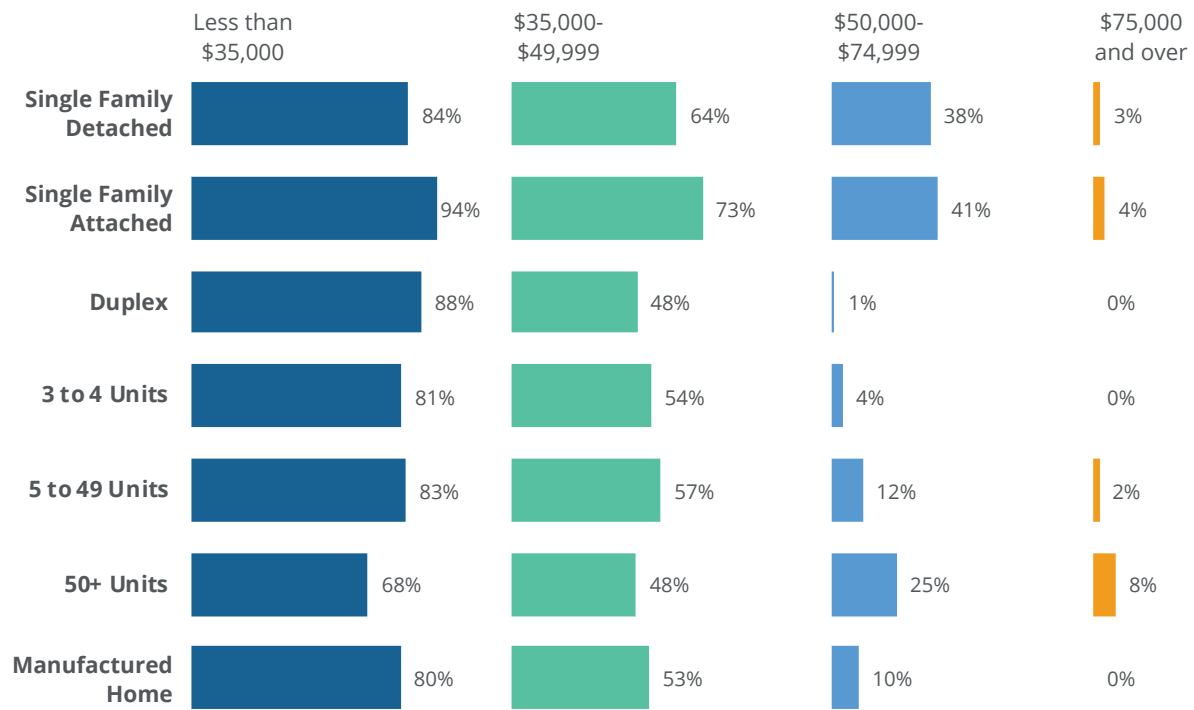
living in duplexes and small multifamily complexes. These unit types make up about 15% of the state's housing, representing a small share of newly built housing.

An additional 59,500 owners are cost burdened, with 24,000 severely cost burdened. The vast majority of owners live in single family detached homes.

The graphic below shows the share of appropriately priced units to renters by income range, revealing deficiencies for both low and high income renters.



Renter Cost Burden by Unit Type and Income, 2021

Source:
2021 5-year ACS, and Root Policy Research.



EXECUTIVE SUMMARY

APPROPRIATELY PRICED UNITS BY RENTER INCOME, 2021

 = one appropriately priced unit
 = one renter

INCOME LESS THAN \$20,000



1 to 2.5

1 appropriately priced unit for every 2.5 renters

INCOME \$20,000 TO \$33,000



1 to 1.5

1 appropriately priced units for every 1.5 renters

INCOME \$33,000 TO \$66,000



1 to 0.75

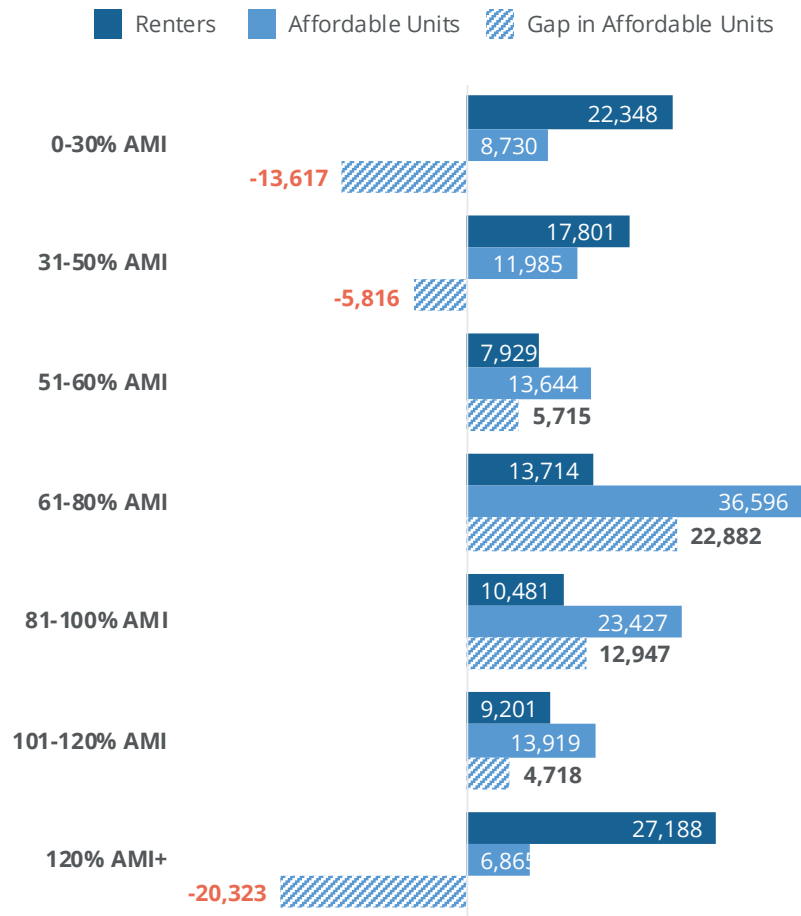
More rental units than renters who can afford them

Overall in the state, there are 19,400 too few affordable rental units to meet the needs of renters with incomes of 50% of AMI and less, or \$33,200 per year. A combination of new affordable rental units, rental assistance, and market rate production is needed to address this gap. These rental needs are in addition to the needs of the 1,245 people who were identified as

unhoused in the 2023 Point-in-Time count. The “shortage” of units for high income renters is not a need. This represents renters living in units that are cheaper than they can afford, which in turn restricts supply for middle and low income renters

EXECUTIVE SUMMARY

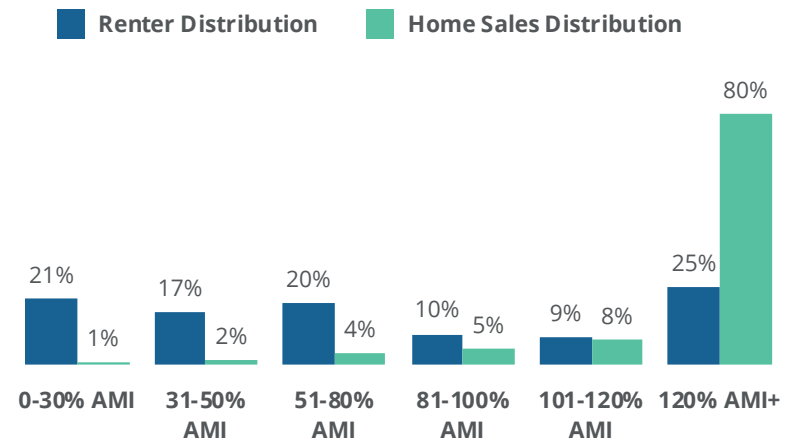
Gap in Rental Market by AMI, Delaware, 2021



Source: 2021 5-year ACS, and Root Policy Research.

For renters seeking homeownership, homebuying is challenging until a household earns 120% of the AMI and more, or \$80,000 and above. Three-quarters of Delaware renters have incomes of less than 120% of the AMI and just 20% of homes for sale are affordable to them. The 25% of renters with incomes of 120% AMI and more have 80% of the homes for sale from which to choose.

Comparison of Renters and Affordable For Sale Homes by AMI, Delaware, 2022



Note: Assumes a 30-year mortgage at a rate of 6.5% with a 20% down payment and 25% of monthly payment is used for property taxes, utilities, and insurance.

Source: Root Policy Research, 2021 ACS 5 year estimates, and HMDA.

EXECUTIVE SUMMARY

DISPROPORTIONATE HOUSING NEEDS

Delawareans experience the housing market differently due to their tenure, household composition, income, family wealth, and housing history. According to the statistically significant resident survey conducted to support the HNA:

- Renters move much more frequently than owners, and cost is the driving factor for half of renters' moves. For lower income renters, the timing of their moves relies on variables outside of their control—when they can obtain transportation, their position on housing waitlists, family members' health, and affordable housing availability.
- **Black households are most likely to experience displacement** with 22% of Black renters reporting a forced move in the past five years, compared to 9% of Hispanic households and 7% of non-Hispanic White households. Higher rates of displacement among Black households are consistent across counties, indicating that displacement impacts the Black community disproportionately across Delaware, whether or not residents live in urban or rural communities
- **Renters are 5x more likely than owners to report living in housing that is in poor or fair condition.** Certain demographic groups are more likely to occupy housing in poor or fair condition, including: single parents (20%), households with a disabled member (20%), and Black households (18%).
- To avoid risking displacement, some demographic groups are reluctant to report condition issues to their landlord:

33% of Hispanic and 25% of Black renters are worried their rent will increase if they submit a maintenance request, compared to 11% of White renters.

- There is a significant need for home accessibility improvements to accommodate Delawareans with a disability. **Home improvements are needed by 40% of mobile home occupants, 29% of homeowners, and 18% of renters who have a household member with a disability.**
- **Government-backed mortgages are important for many non-White households to attain homeownership:** 58% of Black households and 41% of Hispanic households utilized government-backed mortgages.
- **For those renters who have been unsuccessful in buying a home, bad or low credit is a major barrier,** and this is more prevalent among certain households: 48% of Black renters and 42% of Hispanic renters reported credit score as the reason for continuing to rent compared to 27% of non-Hispanic White respondents.
- **Bad or low credit is also a barrier for families and contributes to housing instability:** 43% of families with children less than 18; 42% of single parents; and 42% of renter families with adult children living in the home said a bad or low credit score is the reason for continuing to rent.

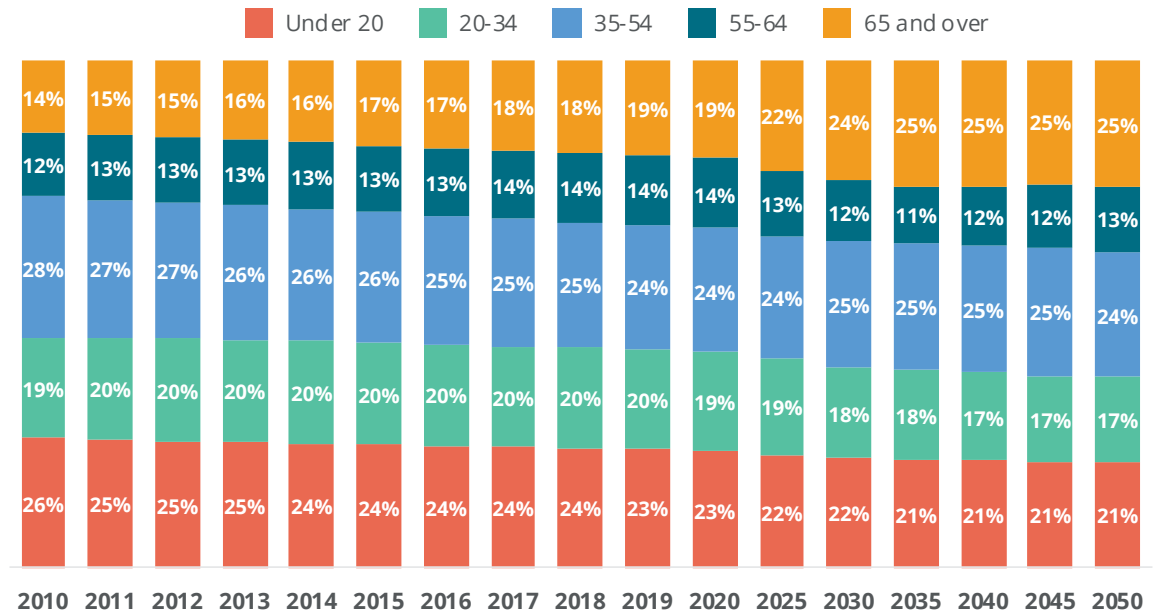
EXECUTIVE SUMMARY

FUTURE HOUSING NEEDS

Delaware residents age 65 and older will comprise 25% of the state's population by 2050—up from 19% currently. Seniors are the only age cohort with significant projected growth.

The consistent decline in the shares of residents in their prime working years could signal a future worker shortage. This change, coupled with low earnings growth for health care workers and low wages for service workers, could make it difficult for the state to maintain the workforce needed to support seniors' health care needs.

Population Projections by Age, Delaware, 2010 - 2050



EXECUTIVE SUMMARY

By 2030, the state is projected to reach approximately 416,400 households—nearly 25,000 more than in 2020. By 2035, households are projected to total 422,400.

To keep up with household growth through 2030, the state will need to add 24,400 new units, or an average of 2,400 units per year. In addition, the projections do not include units for seasonal and vacation use. To accommodate seasonal demand, nearly 5,900 additional units are needed, for a total of 30,230 new units. The vast majority of recreational units are needed in Sussex County.

How many affordable housing units does Delaware need to build between 2020 and 2030?

This is in addition to accommodating the current shortage of **19,400 affordable rental units or subsidies** for renters with incomes of **50% of AMI and less** and persons experiencing homelessness.

If the recent volume of residential permitting continues planned development will meet production needs overall. However, a significant share of new production would need to be affordable products below 100% AMI and meant for workforce and permanent residents (v. seasonal residents).

- **4,500 rental units** affordable to <80% AMI
- **5,700 ownership units** affordable to <80% AMI
- **1,800 ownership units** affordable to 81-100% AMI
- **Approximately 1,200** affordable units per year

Of the 24,400 new resident-occupied units, 18,200 should be owner occupied and 6,100 should be renter occupied to maintain the state's homeownership rate. These units should be distributed across income ranges, as shown in the figure below. Public subsidies will be needed to support continued homeownership among households with incomes of 100% AMI and less and to sustain renters with incomes of 50% AMI and less.

Projected Units Needed by Occupancy Type, by County, 2030

		Occupancy Type	
		Resident Units	Seasonal Units
Total			
Units Needed by 2025:			
Delaware	16,269	13,428	2,841
New Castle	3,000	2,993	7
Sussex	9,320	6,525	2,795
Kent	3,949	3,910	39
Units Needed by 2030:			
Delaware	30,231	24,349	5,882
New Castle	4,030	4,016	14
Sussex	19,180	13,392	5,788
Kent	7,021	6,941	80

Source: Delaware Population Consortium and Root Policy Research.

EXECUTIVE SUMMARY

Projected Units Needed by 2030, by County, AMI, and Tenure

	Total	Percent of AMI				
		0-30% AMI	31-50% AMI	51-80% AMI	81-100% AMI	100+ AMI
Delaware	24,349	2,888	2,732	4,393	2,520	11,815
New Castle	4,016	556	465	696	424	1,875
Sussex	13,392	1,553	1,506	2,519	1,432	6,382
Kent	6,941	779	761	1,179	664	3,559
Owner Units	18,268	1,497	1,624	3,010	1,911	10,227
New Castle	2,727	220	236	429	293	1,548
Sussex	10,749	935	996	1,909	1,178	5,730
Kent	4,793	341	392	672	440	2,948
Renter Units	6,081	1,391	1,108	1,384	609	1,588
New Castle	1,289	336	229	267	131	326
Sussex	2,643	618	510	610	254	651
Kent	2,148	437	369	507	224	611

Note: Holds latest CHAS tenure and income distribution for each county constant. The cumulative county totals differ slightly from state totals due to differences in population growth rate assumptions.

Source: Delaware Population Consortium, HUD CHAS 2019 estimates, and Root Policy Research.

HOUSING NEEDS SUMMARY

In sum, the state's housing needs include:

Rental needs

- Increased funding for Housing Choice Vouchers or similar rental assistance to help the 13,600 renters who have incomes of less than 30% AMI and who cannot find affordable private sector rental units. This assistance should be targeted to renters in the North New Castle market area.
- New affordable rental units paired with services for a subset of these renters plus the approximately 1,600 households without regular safe shelter, and also targeted to North New Castle.
- To keep up with growth in very low income renter households, increased funding to support the construction of an average of at least 250 rental units per year for ten years affordable to <50% AMI renters. These units should be distributed according to the projected units table on the left.

EXECUTIVE SUMMARY

- Increased funding for additional production of rental units affordable to <50% AMI renters to alleviate the renter cost burden of existing renters, facilitate housing stability, mitigate the impact of rent increases, and accommodate workforce housing needs. A doubling of the 250 rental units per year needed to keep up with growth would address the needs of 20% of cost burdened renters.
- Improvements, including accessibility improvements, to rental housing to address the needs of the more than 28,000 renters who report living in poor or fair condition housing.
- Continued partnerships with the private sector to build housing across the income spectrum and invest in workers' skill development and income growth.

Homeowner needs

- To maintain the state's homeownership rate across income ranges and keep up with growth, production of at least 800 ownership units a year affordable to households with incomes of less than 100% AMI.
- To address gaps in homeownership by race and ethnicity, targeted down payment assistance coupled with affordable homeownership products to facilitate ownership for the more than 34,000 renters who express high levels of interest in owning a home, even with equity gain restrictions.

- Improvements, including accessibility improvements, for the 4,250 low income homeowners who report living in poor or fair condition homes.
- Accessibility improvements for 730 households with a disabled member living in mobile homes.

Key Considerations Moving Forward

- **Securing additional funding and financing tools will be essential to addressing current housing shortages and meeting projected needs.** Delaware has received an unprecedented level of federal and state funding for housing in recent years, but more investment will be needed.
- **Even with additional funding and resources, efforts to address the state's housing needs will be constrained unless state and local regulatory policies explicitly encourage the development of diverse housing types.** Planning and zoning changes are needed to ensure that all Delawareans can access safe housing, regardless of income, age, location, or household size.
- **Cross-sector collaboration is crucial to making meaningful progress toward addressing the shortage of affordable units.** This includes communication and cooperation among state and municipal governments, the private sector, and the nonprofit sector.