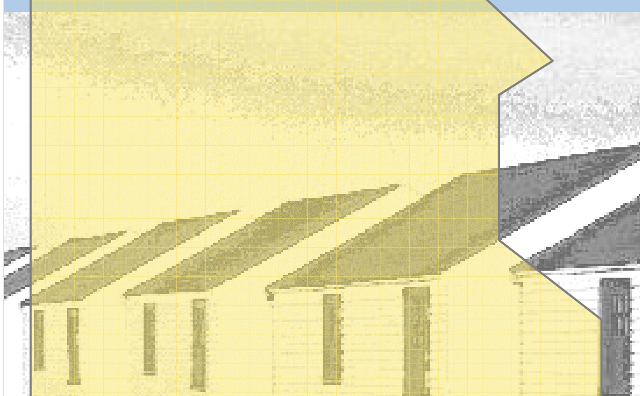
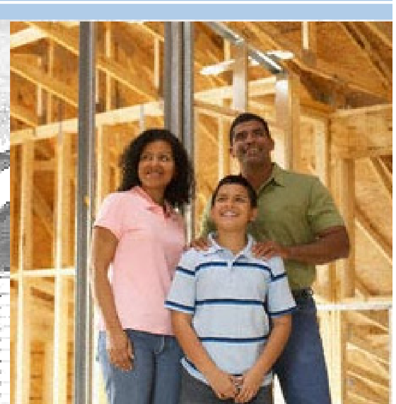
# Part 2: Housing Supply & Demand





## Delaware
Statewide
Housing Needs
Assessment

2008-2012

Mullin & Lonergan Associates Incorporated

Philadelphia – Harrisburg
Pittsburgh,
Pennsylvania

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# Delaware

## Statewide Housing Needs Assessment

*PART 2: HOUSING SUPPLY & DEMAND*

## Contents

Statewide Housing Needs Assessment

*PART 2: HOUSING SUPPLY & DEMAND*

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# INTRODUCTION

Part 2 of the Housing Needs Assessment follows the discussion of development context and examines Delaware's housing supply and demand dynamics in greater detail. Part 2 is organized as follows:

- *Section 1 below lays a brief framework for defining affordable housing;*
- *Section 2 discusses characteristics of Delaware's housing supply;*
- *Section 3 contains an analysis of housing demand characteristics including projections of housing demand throughout the state between 2008 and 2012;*
- *Sections 4 and 5 provide further analysis of homeownership issues and the impact of land use planning on housing development.*

## 4. DEFINING AFFORDABILITY

Given rapidly increasing housing costs of recent years, affordability for low-income households, which is an ongoing concern, has become more precarious. For the purpose of affordability supply and demand analysis in this *Housing Needs Assessment*, low-income households are those whose income is at or below 80 percent of an area's median family income (MFI) as estimated by the HUD.

As a result of employment and wage trends, in many instances, the workers who play integral roles in sustaining their local economies fall within this income classification. As housing prices have increased at

### A NOTE ABOUT THE DATA

Much of the data in Part 2 is taken from the 2000 Census. Where possible, data is updated by the 2005 American Community Survey (ACS), also produced by the U.S. Census Bureau. The ACS is a nationwide survey designed to provide communities with a fresh look at how they are changing. The ACS collects and produces population and housing information every year instead of every ten years.

The ACS surveys about three million households each year, from across every county in the nation. Data from the 2005 ACS are available for geographic areas with a population of 65,000 or more, including counties, congressional districts, metropolitan and micropolitan statistical areas, all 50 states, and the District of Columbia. In Delaware, 2005 ACS data is available only for the state overall, the three counties, and the City of Wilmington. Unfortunately, 2005 ACS data is not available for the county census divisions (CCDs) or any of the other incorporated places.

Easy Analytic, Inc., was contracted to calculate projected household growth by age and by income by CCD from 2006 to 2012. The projections prepared by the firm were compared to the projections and trends prepared by the Delaware Population Consortium (DPC) to ensure that data was comparable to the trends noted by the DPC in its October 2006 population study.

The DPC's projections, which were based on the 2000 Census and subsequent data collection, included household projections by CCD at ten year intervals through 2030. The projections do not provide the age of household by household income, nor do they calculate total households at five year intervals at the CCD level. Since the horizon year for this Needs Assessment is 2012, the calculations from Easy Analytic, Inc., were necessary.)

Secondary data regarding population projections, employment and wages, special populations, and other housing statistics are often excerpted from various of Delaware's State-level agencies or consortia.

Different data sets can produce inconsistent results when measuring the same variables. This is typically the result of differing research methods, not error. For example, real estate values derived from eneighborhoods.com are based on data from real transactions in the market place. Meanwhile Census data on real estate values are derived from self-reporting of property owners and renters. In this document, wherever such discrepancies may lead to confusion, disclaimers are placed within the text for clarification.

a faster rate than incomes, workforce households are increasingly experiencing housing challenges.

Although affordability is an issue for all households, most affordable housing policies and programs target households at or below the 80 percent of MFI. Below that threshold, an affordability analysis typically looks at groups including the extremely low-income (at or below 30 percent), very low-income (between 30 and 50 percent), and low-income (between 50 and 80 percent). Moderate income households are those between 80 percent and 115 percent. (NOTE: the Low-income Housing Tax Credit program assists rental households below 60 percent of MFI).

The HUD determined 2007 MFI for a family household of four persons by county in Delaware, is as follows:

- New Castle County - $71,600;
- Kent County - $58,700; and
- Sussex County - $53,800.

Using the HUD 2007 MFI for each of the counties in Delaware, Table 4-1 shows household income within each of the income ranges described above. The table is a reference for the review of housing supply and demand that follows in this document. Table 4-1 shows the affordability range for households at the various low and moderate income categories by county. By applying the standard affordability ratio of 30 percent income-to-housing-expense, the table demonstrates the monthly housing cost that low and moderate income households can afford without being cost-burdened. The monthly housing costs identified in Table 4-1 represent either a rent or a mortgage payment.

The analysis shows sale price households from 30 percent to 115 percent of MFI can afford, presuming the following: mortgage terms of 30 years at a fixed 7.00 percent interest rate with qualifying amount based on 33%/38% debt to loan ratio (HUD standard); estimated tax and insurance costs of $150; and an estimated "other debt" of 12 percent (school loans, credit cards, etc.). These assumptions yield a "qualifying mortgage amount" by income level, shown in the bottom portion of Table 4-1.

**Table 4-1**
**Income Levels and Affordability Range – 2007**

| | New Castle County Area Median Family Income, 2007 | | Kent County Area Median Family Income, 2007 | | Sussex County Area Median Family Income, 2007 | |
|---|---|---|---|---|---|---|
| | $71,600 | | $58,700 | | $53,800 | |
| | From: ($) | To: ($) | From:($) | To: ($) | From:($) | To: ($) |
| ***Annual Income*** | | | | | | |
| Extremely Low-income 0-30% MFI | 0 | 21,480 | 0 | 17,610 | 0 | 16,140 |
| Very Low-income 31-50% MFI | 21,481 | 35,800 | 17,611 | 29,350 | 16,141 | 26,900 |
| Low-income 50-80% MFI | 35,801 | 57,280 | 29,351 | 46,960 | 26,901 | 43,040 |
| Low-income Tax Credit 50-60% MFI | 35,800 | 42,960 | 29,350 | 35,220 | 26,900 | 32,280 |
| Moderate Income 80-100% MFI | 57,281 | 71,600 | 46,961 | 58,700 | 43,041 | 53,800 |
| Moderate Income 100 – 115% MFI | 71,601 | 82,340 | 58,701 | 67,505 | 53,801 | 61,870 |
| ***Affordability Range - Monthly Housing Cost**** | | | | | | |
| Extremely Low-income 0-30% MFI | 0 | 537 | 0 | 440 | 0 | 404 |
| Very Low-income 30-50% MFI | 538 | 895 | 441 | 734 | 405 | 673 |
| Low-income 50-80% MFI | 896 | 1432 | 735 | 1,174 | 674 | 1,076 |
| Low-income Tax Credit 50-60% MFI | 895 | 1,074 | 734 | 881 | 673 | 807 |
| Moderate Income 80-100% MFI | 1,433 | 1,790 | 1,175 | 1,468 | 1,077 | 1,345 |
| Moderate Income 100 – 115% MFI | 1,791 | 2,059 | 1,469 | 1,688 | 1,346 | 1,547 |
| ***Qualifying Mortgage Amount*** | | | | | | |
| Extremely Low-income 0-30% MFI | 0 | 47,407 | 0 | 34,804 | 0 | 30,016 |
| Very Low-income 31-50% MFI | 47,410 | 94,042 | 34,807 | 73,037 | 30,020 | 65,058 |
| Low-income 51-80% MFI | 94,046 | 163,996 | 73,040 | 130,387 | 65,061 | 117,621 |
| Moderate Income 81-100% MFI | 163,999 | 210,631 | 130,390 | 168,620 | 117,624 | 152,662 |
| Moderate Income 101 – 115% MFI | 210,634 | 245,608 | 168,623 | 197,295 | 152,666 | 178,944 |

*Source: US Department of Housing and Urban Development, Delaware State Housing Authority, and Mullin & Lonergan Associates, Inc.*

**Monthly Housing Cost - 30 percent of gross monthly household income.*

# 5. HOUSING SUPPLY

This section of the *Housing Needs Assessment* contains a review of the number and location of the available housing units in Delaware, expanding upon that already discussed in Part 1/Section 2.F. In this section, owner-occupied housing is analyzed in Subsection A below, and rental housing in Subsection B.

Throughout the section, data is presented at the statewide, county, sub-county, and (in the case of Wilmington, Newark, Dover and Georgetown) local level. The sub-county geographies are referred to as Census County Divisions (CCDs).

The map on the following page shows Delaware by its counties, CCDs, and major municipalities.

## A. OWNER-OCCUPIED HOUSING

### i. Owner-occupied Housing by Location

The 2000 Census reported 216,046 owner-occupied units in Delaware, which represented 72.3 percent of the State's occupied housing stock. From 2000 to 2005, owner-occupied units increased by 13,814 to 229,860, rising to 72.4 percent the rate of units occupied by owners. The rate of homeownership in Delaware continues to surpass that of the nation as a whole. Nationwide in 2005, 66.9 percent of the occupied units are owner-occupied.

The 2005 ACS reports 3,616 vacant for-sale units in Delaware, which is just 1.6 percent of non-rental units. A vacancy rate of between 3 percent and 5 percent is preferable because it allows some mobility for households who are moving. The low vacancy rate may have a negative impact on housing affordability because of a small number of available units in the marketplace at any given time.

As of 2005, the percentage of vacant for-sale units in both Kent and New Castle Counties was less than one percent. In Sussex County, where demand is high, more units are built "on spec," resulting in a higher vacancy rate. The 2005 ACS reported a vacancy rate of 4.2 percent in Sussex County.

Table 5-1 shows the change in owner-occupied housing between 2000 and 2005 by county and for the City of Wilmington. The table includes vacant, for-sale housing in the state by location. More summary points follow Table 5-1.

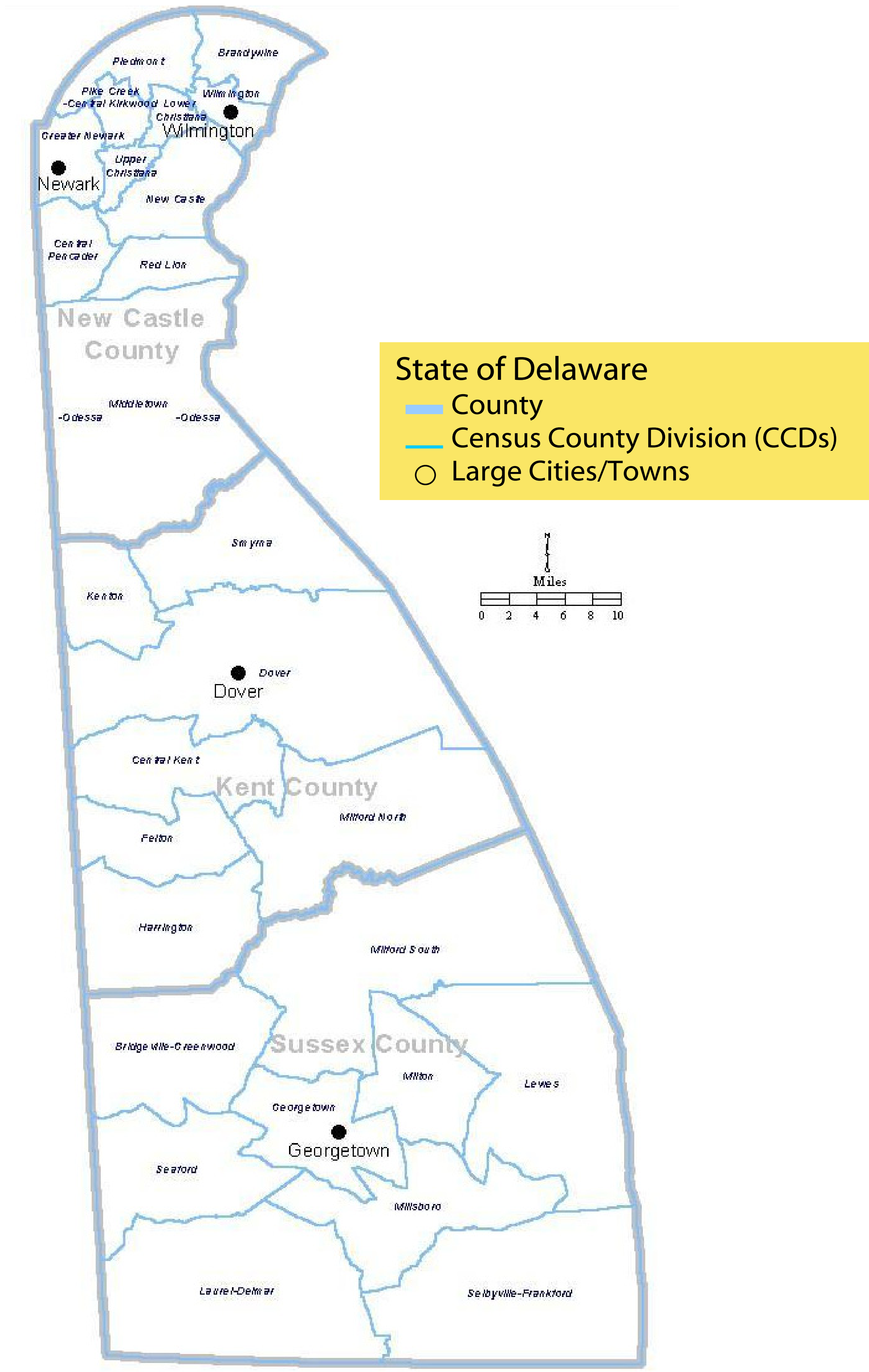

Brandywine
Piedmont
Pike Creek
-Central Kirkwood
Lower
Christiana
Wilmington
Wilmington
Greater Newark
Upper
Christiana
Newark
New Castle
Central
Pencader
Red Lion
New Castle
County
Middletown
-Odessa
-Odessa
Smyrna
Kenton
Dover
Dover
Central Kent
Kent County
Milford North
Felton
Harrington
Milford South
Bridgeville-Greenwood
Sussex County
Milton
Lewes
Georgetown
Georgetown
Seaford
Millsboro
Laurel-Delmar
Selbyville-Frankford
State of Delaware
County
Census County Division (CCDs)
Large Cities/Towns
N
Miles
0
2
4
6
8
10

**Table 5-1**
**Change in Owner-occupied Housing Supply – 2000, 2005**

| | Housing Units | | Owner-occupied Units | | Vacant for-sale Only Units | |
|---|---|---|---|---|---|---|
| | **Total** | **Occupied** | **Total** | **% of Occupied** | **Total** | **% of Owner-Occupied Units** |
| ***New Castle County*** | | | | | | |
| 2000 | 199,521 | 188,935 | 132,493 | 70.1% | 1,801 | 1.4% |
| 2005 | 209,952 | 193,255 | 135,270 | 70.0% | 1,203 | 0.9% |
| % Change | 5.2% | 2.3% | 2.1% | (0.2%) | (33.2%) | (34.6%) |
| ***Kent County*** | | | | | | |
| 2000 | 50,481 | 47,224 | 33,048 | 70.0% | 582 | 1.8% |
| 2005 | 58,161 | 53,731 | 39,456 | 73.4% | 122 | 0.3% |
| % Change | 15.2% | 13.8% | 19.4% | 4.9% | (79.0%) | (82.4%) |
| ***Sussex County*** | | | | | | |
| 2000 | 93,070 | 62,577 | 50,505 | 80.7% | 1,379 | 2.7% |
| 2005 | 107,119 | 70,654 | 55,134 | 78.0% | 2,291 | 4.2% |
| % Change | 15.1% | 12.9% | 9.2% | (3.3%) | 66.1% | 52.2% |
| ***DELAWARE*** | | | | | | |
| **2000** | **343,072** | **298,736** | **216,046** | **72.3%** | **3,762** | **1.7%** |
| **2005** | **375,232** | **317,640** | **229,860** | **72.4%** | **3,616** | **1.6%** |
| % Change | 9.4% | 6.3% | 6.4% | 0.1% | (3.9%) | (9.7%) |
| ***City of Wilmington*** | | | | | | |
| 2000 | 32,138 | 28,617 | 14,347 | 50.1% | 508 | 3.5% |
| 2005 | 32,211 | 26,770 | 13,155 | 49.1% | N/A | N/A |
| % Change | 0.2% | (6.5%) | (8.3%) | (2.0%) | N/A | N/A |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

- While Sussex County's rate of homeownership declined from 80.7 percent in 2000 to 78 percent in 2005, it still has the highest rate of homeownership among all counties in Delaware. The older population that is migrating to Sussex County supports the higher rate of homeownership. Older householders, who are generally wealthier, own housing at higher rates than younger householders.

- New Castle County, which has highest incomes and the most racially diverse population, has the lowest rate of homeownership at 70 percent. The rate of homeownership is virtually unchanged from 2000.

- From 2000 to 2005, the rate of homeownership in Kent County increased from 70 percent to 73.4 percent. (Kent County has the largest percentage of households ages 20 to 34, the age range most often associated with family formation and related homeownership decisions.)

- As an older urban center with a concentration of low income households, less than half the households in the City of Wilmington own their homes. The City's rate of homeownership declined slightly from 50.1 percent in 2000 to 49.1 percent in 2005.

Data at the CCD level is not shown in Table 5-1. As stated earlier, the 2005 ACS does not provide data at the CCD level. Key findings from the 2000 Census at the CCD level were as follows:

- Red Lion CCD, part of the growing suburban area in New Castle County, had the highest rate of homeownership in Delaware in 2000 at 89.8 percent.

- Wilmington CCD, Delaware's largest urban center, had the lowest rate of homeownership in the State at 50.1 percent. The City of Wilmington also contains the largest concentration of low value housing in Delaware in addition to a large percentage of low income persons.

Other areas of the state with 2000 homeownership rates of less than 65 percent are presented by county below.

- New Castle County - the Greater Newark CCD (62.8 percent); the Upper Christiana CCD (60.9 percent); and the City of Newark (54.7 percent).

- Kent County - the Dover CCD (63.3 percent); the Milford North CCD (61.9 percent); and the City of Dover (52.7 percent).

- Sussex County - the Town of Georgetown (51.2 percent).

### ii. Owner-occupied Housing by Type

Table 5-2 on the following page shows the change in owner-occupied units by type from 2000 to 2005.

The 2005 ACS reported that 86.6 percent (199,012) of the owner-occupied units in Delaware were single-family units. The high percentage of owner-occupied units in the single-family dwelling category demonstrates the preference for detached and semi-detached single-family dwellings among owner households. Just 2.1 percent (4,871) of the owner-occupied housing units were located in multi-family structures, while 11.3 percent (25,884) were manufactured homes.

As shown in Table 5-2, by county, the owner-occupied housing stock consists of the following.

- In New Castle County, 93.4 percent (126,339) of the owner-occupied units were single-family units, 3 percent (4,074) were in multi-family structures, and 3.6 percent (4,803) were manufactured homes.
- In Kent County, 80.8 percent (31,896) of the owner-occupied units were single-family units, 0.3 percent (121) were in multi-family structures, and 18.9 percent (7,439) were manufactured homes.
- In Sussex County, 74 percent (40,777) of the owner-occupied units were single-family units, 1.2 percent (676) were in multi-family structures, and 24.7 percent (13,642) were manufactured homes.

**Table 5-2**
**Change in Owner-occupied Housing by Unit Type – 2000, 2005**

| | Total Owner-Occupied | Single Family | | Multi-family | | Manufactured Homes | | Other | |
|---|---|---|---|---|---|---|---|---|---|
| | | Total | % of Owner Occupied | Total | % of Owner Occupied | Total | % of Owner Occupied | Total | % of Owner Occupied |
| ***New Castle County*** | | | | | | | | | |
| 2000 | 132,493 | 124,193 | 93.7% | 3,771 | 2.8% | 4,522 | 3.4% | 7 | 0.005% |
| 2005 | 135,270 | 126,339 | 93.4% | 4,074 | 3.0% | 4,803 | 3.6% | 54 | 0.040% |
| % Change | 2.1% | 1.7% | (0.3%) | 8.0% | 0.2% | 6.2% | 0.1% | 671.4% | 0.035% |
| ***Kent County*** | | | | | | | | | |
| 2000 | 33,048 | 26,256 | 79.4% | 283 | 0.9% | 6,507 | 19.7% | 2 | 0.006% |
| 2005 | 39,456 | 31,896 | 80.8% | 121 | 0.3% | 7,439 | 18.9% | 0 | 0.000% |
| % Change | 19.4% | 21.5% | 1.4% | (57.2%) | (0.5%) | 14.3% | (0.8%) | (100.0%) | (0.006%) |
| ***Sussex County*** | | | | | | | | | |
| 2000 | 50,505 | 37,105 | 73.5% | 696 | 1.4% | 12,682 | 25.1% | 22 | 0.044% |
| 2005 | 55,134 | 40,777 | 74.0% | 676 | 1.2% | 13,642 | 24.7% | 39 | 0.071% |
| % Change | 9.2% | 9.9% | 0.5% | (2.9%) | (0.2%) | 7.6% | (0.4%) | 77.3% | 0.027% |
| ***DELAWARE*** | | | | | | | | | |
| **2000** | **216,046** | **187,554** | **86.8%** | **4,750** | **2.2%** | **23,711** | **11.0%** | **31** | **0.014%** |
| **2005** | **229,860** | **199,012** | **86.6%** | **4,871** | **2.1%** | **25,884** | **11.3%** | **93** | **0.040%** |
| % Change | 6.4% | 6.1% | (0.2%) | 2.5% | (0.1%) | 9.2% | 0.3% | 200.0% | 0.026% |
| ***City of Wilmington*** | | | | | | | | | |
| 2000 | 14,347 | 13,067 | 91.1% | 1,247 | 8.7% | 33 | 0.2% | 0 | 0 |
| 2005 | 13,155 | 11,977 | 91.0% | 1,178 | 9.0% | 0 | 0.0% | 0 | 0 |
| % Change | (8.3%) | (8.3%) | 0.0% | (5.5%) | 0.3% | (100.0%) | (0.2%) | 0 | 0 |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

### iii. Owner-occupied Housing by Number of Bedrooms

As shown in Table 5-3 below, statewide, 116,627 units, or about one-half of the owner-occupied housing had three bedrooms in 2005. Slightly more than 1 percent (about 2,700 units) had no bedroom or just one bedroom. About one third of the owner-occupied units (76,442 units) had four or more bedrooms. This pattern is similar among the owner-occupied housing in each county and the City of Wilmington.

**Table 5-3**
**Owner-occupied Housing by No. of Bedrooms –2005**

| | DELAWARE | | New Castle County | | Kent County | | Sussex County | | City of Wilmington | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | % | Total | % | Total | % | Total | % | Total | % |
| no bedroom | **96** | 0.04 | 54 | 0.04 | 42 | 0.11 | 0 | 0.00 | 54 | 0.41 |
| 1 bedroom | **2,589** | 1.13 | 1,599 | 1.18 | 507 | 1.28 | 483 | 0.88 | 512 | 3.89 |
| 2 bedrooms | **34,106** | 14.84 | 16,366 | 12.10 | 7,646 | 19.38 | 10,094 | 18.31 | 2,036 | 15.48 |
| 3 bedrooms | **116,627** | 50.74 | 63,025 | 46.59 | 20,952 | 53.10 | 32,650 | 59.22 | 7,209 | 54.80 |
| 4 bedrooms | **67,301** | 29.28 | 47,928 | 35.43 | 9,368 | 23.80 | 10,005 | 18.15 | 2,199 | 16.72 |
| 5 or more bedrooms | **9,141** | 3.97 | 6,298 | 4.66 | 941 | 2.33 | 1,902 | 3.44 | 1,145 | 8.70 |
| **Total** | **229,860** | **100.00** | **135,270** | **100.00** | **39,456** | **100.00** | **55,134** | **100.00** | **13,155** | **100.00** |

*Source: U.S. Census Bureau, 2005 American Community Survey*

### iv. Census Values of Owner-occupied Housing

The Federal Housing Finance Board reports that, between 1995 and 2006, median home sale prices in Delaware appreciated by 177 percent, the fastest rate in the nation during that time period.*

The change in the number of owner-occupied units per reported value range between 2000 and 2005 is depicted in Table 5-4. (NOTE: values are based on owner responses to ACS questionnaires and Census Bureau estimation methodology, not directly to market prices.) In 2005, almost 70 percent of Delaware's owner-occupied housing stock fell into the $150,000 and higher

* Federal Housing Finance Board, *Monthly Survey of Rates and Terms on Conventional Single-family Non-farm Mortgage Loans*. Periodic Summary Tables – Table 36: Median Price of Single-family Homes by State. Washington, D.C., 2007.

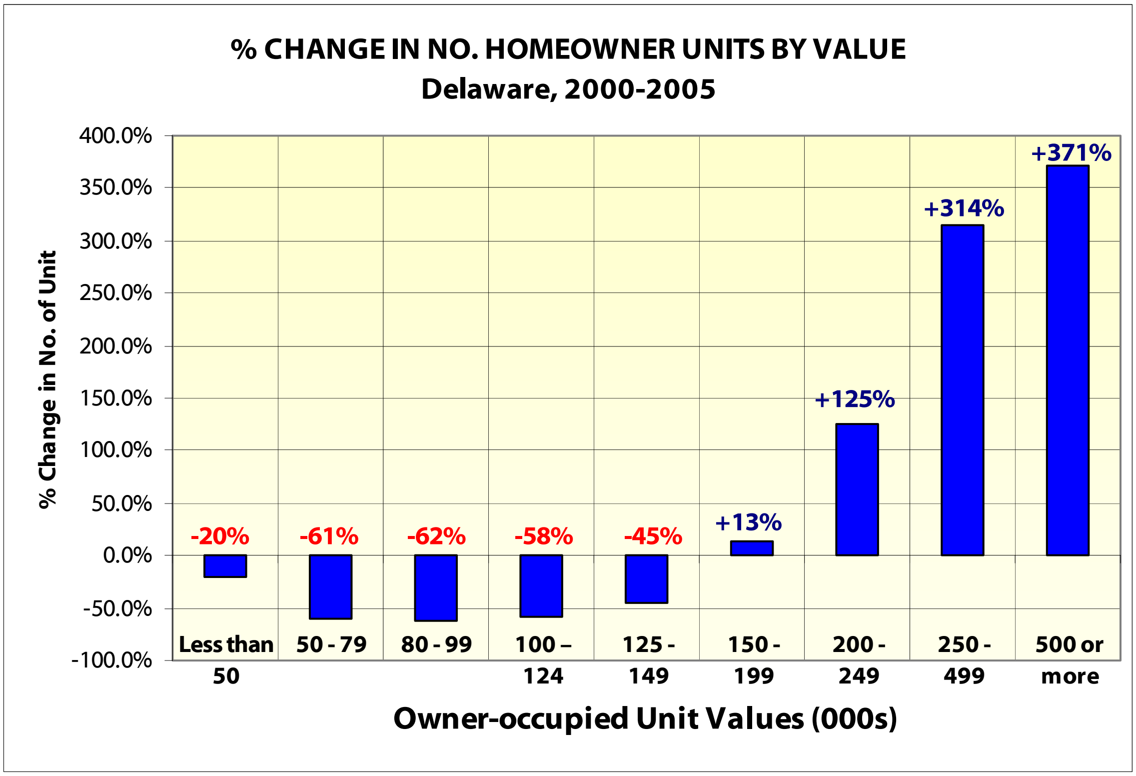
value range. Only 16.74 percent of the state's sales housing stock has a value less than $100,000.

**Table 5-4**
**Change in Owner-occupied Housing by Value Range – 2000, 2005**

| | Total Owner Units | Median Value ($) | Units by Value Range | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | <$50,000 | $50,000 - $79,000 | $80,000 - $99,000 | $100,000 - $124,000 | $125,000 - $149,000 | $150,000 - $199,000 | $200,000 - $249,000 | $250,000 - $499,000 | > $500,000 |
| ***New Castle County*** | | | | | | | | | | | |
| 2000 | 132,493 | 132,900 | 6,633 | 10,770 | 18,608 | 23,272 | 21,947 | 25,918 | 12,423 | 11,165 | 1,757 |
| 2005 | 135,270 | 218,400 | 4,750 | 3,924 | 6,450 | 7,083 | 9,812 | 27,137 | 23,029 | 46,810 | 6,275 |
| % Change | 2.1% | 64.3% | (28.4%) | (63.6%) | (65.3%) | (69.6%) | (55.3%) | 4.7% | 85.4% | 319.3% | 257.1% |
| ***Kent County*** | | | | | | | | | | | |
| 2000 | 33,048 | 103,300 | 5,093 | 4,423 | 6,215 | 5,959 | 4,401 | 4,166 | 1,271 | 1,351 | 169 |
| 2005 | 39,456 | 159,900 | 5,388 | 2,056 | 2,388 | 3,594 | 4,713 | 7,875 | 5,349 | 7,188 | 905 |
| % Change | 19.4% | 54.8% | 5.8% | (53.5%) | (61.6%) | (39.7%) | 7.1% | 89.0% | 320.8% | 432.1% | 435.5% |
| ***Sussex County*** | | | | | | | | | | | |
| 2000 | 50,505 | 99,700 | 9,173 | 7,657 | 8,527 | 5,913 | 5,281 | 6,635 | 2,603 | 3,672 | 1,044 |
| 2005 | 55,134 | 203,400 | 6,654 | 3,054 | 3,831 | 4,095 | 2,888 | 6,478 | 8,290 | 13,022 | 6,822 |
| % Change | 9.2% | 104.0% | (27.5%) | (60.1%) | (55.1%) | (30.7%) | (45.3%) | (2.4%) | 218.5% | 254.6% | 553.4% |
| ***DELAWARE*** | | | | | | | | | | | |
| **2000** | **216,046** | **122,000** | **20,899** | **22,850** | **33,350** | **35,144** | **31,629** | **36,719** | **16,297** | **16,188** | **2,970** |
| **2005** | **229,860** | **203,800** | **16,792** | **9,034** | **12,669** | **14,772** | **17,413** | **41,490** | **36,668** | **67,020** | **14,002** |
| % Change | 6.4% | 67.0% | (19.7%) | (60.5%) | (62.0%) | (58.0%) | (44.9%) | 13.0% | 125.0% | 314.0% | 371.4% |
| ***City of Wilmington*** | | | | | | | | | | | |
| 2000 | 14,347 | 89,300 | 1,383 | 4,066 | 3,554 | 1,813 | 1,118 | 937 | 544 | 745 | 187 |
| 2005 | 13,155 | 141,600 | 613 | 1,734 | 1,738 | 1,622 | 1,314 | 1,795 | 1,107 | 2,725 | 507 |
| % Change | (8.3%) | 58.6% | (55.7%) | (57.4%) | (51.1%) | (10.5%) | 17.5% | 91.6% | 103.5% | 265.8% | 171.1% |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

Housing values in Delaware increased substantially from 2000 to 2005. The 2005 ACS reports that the median value in Delaware is $203,800, an increase of 67 percent since 2000 when the Census reported a median value of $122,000. Had median value increased at the rate of inflation, in 2005 (using the Consumer Price Index) it would be just $138,366. Since 2000, units valued under $100,000 decreased from about 36 percent of the units to just 17 percent of the units. Units valued at $500,000 or more increased from 1.4 percent to 6.1 percent.




*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

Table 5-5 applies the findings contained in Table 4-1, *Income Levels and Housing Affordability Range,* to the 2005 values of owner-occupied housing shown above in order to determine the percent of non-rental units that are affordable based on a household's qualifying mortgage amount and income. Income is shown as a percentage of each county's 2007 MFI.

**Table 5-5**
**Percent of Owner Units Affordable at % 2007 MFI**

| | Percent of Units Affordable to Households by Income | | | | |
|---|---|---|---|---|---|
| | 30% MFI | 50% MFI | 80% MFI | 100% MFI | 115% MFI |
| New Castle County | 4% | 11% | 24% | 44% | 44% |
| Kent County | 14% | 19% | 34% | 46% | 79% |
| Sussex County | 12% | 12% | 32% | 37% | 49% |

*Source: Mullin & Lonergan Associates, Inc.*

### a. New Castle County

New Castle County had the highest median owner-occupied Census value at $218,400. Since 2000, median value increased 64.3 percent from $132,900. Had median value increased at the rate of inflation, the median value in 2005 would be $150,728. Since 2000, units valued under $100,000 decreased from 27.2 percent (36,011 units) of the units to 11.2 percent (15,125 units) of the units. Units valued at $500,000 or more increased from 1.3 percent (1,757 units) of the units to 4.6 percent (6,275 units) of the units.

In terms of affordability, the following is noted:

- Low income households, whose income is 80 percent of the median, qualify for a mortgage of $163,996. About 24 percent of the county's owner-occupied housing stock is affordable to households in this income range.
- Households at 100 percent of median qualify for a mortgage of $210,631. About 44 percent of the county's owner-occupied housing stock is affordable to households in this income range.
- Households at 115 percent of median qualify for a mortgage of $245,608. About 44 percent of the county's owner-occupied housing stock is affordable to households in this income range.

### b. Kent County

In Kent County, the 2005 median Census value of owner-occupied housing was $159,900, an increase of 54.8 percent from $103,300 in 2000. Had median value increased at the rate of inflation, the median value in 2005 would be $117,157. Since 2000, units valued under $100,000 decreased from 47.6 percent (15,731 units) of the units to 24.9 percent (9,832 units) of the units. Units valued at $500,000 or more increased from 0.5 percent (169 units) of the units to 2.3 percent (905 units) of the units.

In terms of affordability, the following is noted:

- Low income households qualify for a mortgage of $130,387. About 34 percent of the county's owner-occupied housing stock is affordable to households in this income range.
- Households at 100 percent of median qualify for a mortgage of $168,620. About 46 percent of the county's owner-occupied housing stock is affordable to households in this income range.
- Households at 115 percent of median qualify for a mortgage of $197,295. About 79 percent of the county's owner-occupied housing stock is affordable to households in this income range.

### c. Sussex County

In Sussex County, the median Census value increased by 104 percent from $99,700 in 2000 to $203,400 in 2005. Had median value increased at the rate of inflation, the median value in 2005 would be $113,074. Since 2000, units valued under $100,000 decreased from 50.2 percent (25,357 units) of the units to 24.6 percent (13,539 units) of the units. Units valued at $500,000 or more increased from 2.1 percent (1,044 units) to 12.4 percent (6,822 units) of the total.

In terms of affordability, the following is noted:

- Low income households qualify for a mortgage of $117,621. About 32 percent of the county's owner-occupied housing stock is affordable to households in this income range.
- Households at 100 percent of median qualify for a mortgage of $152,662. About 37 percent of the county's owner-occupied housing stock is affordable to households in this income range.
- Households at 115 percent of median qualify for a mortgage of $178,944. About 49 percent of the county's owner-occupied housing stock is affordable to households in this income range.

### d. Census 2000 Owner Value Data

Because the 2005 ACS did not provide data at the CCD level, Table 5-4 does not compare value changes between 2000 and 2005. However, the following provides an overview of values for the CCDs, as reported in the 2000 Census, and identifying patterns in the counties.

- In New Castle County, the highest median value in 2000 was $258,100 in the Piedmont CCD, and the lowest median value was $89,300 in the City of Wilmington.
- Of the units valued at $250,000 or more, 37.9 percent were in the Piedmont CCD, and 25 percent are in the Brandywine CCD.
- In Kent County, the highest median value was $107,700 in the City of Dover, and the lowest was $92,600 in the Harrington CCD.
- 62 percent of the units valued at less than $50,000 were in the Dover CCD and the Central Kent CCD. The two CCDs form the core part of Kent County and represent the most densely settled portion of the county. The largest supply of affordable owner-occupied housing in the county was located in this population center.
- About 50 percent (3,470) of the units valued at $150,000 or more in 2000 were in the Dover CCD.
- In Sussex County, the highest median value was $152,000 in the Lewes CCD, and the lowest median value was $76,000 in the Millsboro CCD.
- Nearly 30 percent of the units valued at less than $50,000 were in the Seaford CCD and the Laurel/Delmar CCD.

- 58.2 percent (8,117) of the units valued at $150,000 or more were in the Lewes CCD and the Selbyville/Frankford CCD, both of which are part of the state's Coastal Resort Area.
- While the owner-occupied housing in Sussex County had the lowest countywide median value in Delaware in 2000, the county also has the largest percentage of units valued at $500,000 or more. The high percentage of high value units results from the high values of the housing stock at the Coastal Resort Area in eastern Sussex County. Of the 2 percent of the owner-occupied units valued at $500,000 or more, 80 percent are in the Lewes CCD and the Selbyville/Frankford CCD.

### v. Current Prices of For-Sale Homes

As stated, the above owner-occupied value analysis uses data from the U.S. Census Bureau which is not tied directly to current home sales. The data is useful, however, because it provides a depth of information regarding the number of units in particular value ranges.

Using data available from eNeighborhoods (www.eneighborhoods.com), Table 5-6 gives an overview of housing costs based on actual recorded sales by location in Delaware for the first quarter of 2007 (January through March). From the first quarter of 2004 to the first quarter of 2007, median housing values in Delaware changed as follows.

- Median home price in New Castle County increased by $63,000, or about 38 percent to $230,000. So far, in 2007, the county's highest cost housing is in the Newark area and the rapidly developing areas in the southern part of the county.
- In Kent County, median home price increased by $45,000, or 30 percent, to $195,000. The highest prices are in the Central Kent County.
- In Sussex County, median home price increased by $45,000, or 21 percent, to $260,000. The highest median home price is in the Coastal Resort Area of Lewes and Bethany.

**Table 5-6**
**Home Prices – January 1, 2007 to March 31, 2007**

| | Median Home Price | Average Home Price | Minimum Home Price | Maximum Home Price |
|---|---|---|---|---|
| **New Castle County** | **$230,000** | **$262,169** | **$25,000** | **$2,627,000** |
| Wilmington | $145,000 | $171,097 | $25,000 | $960,000 |
| Newark | $260,000 | $263,020 | $70,000 | $575,000 |
| New Castle | $170,000 | $187,211 | $87,000 | $400,000 |
| Middletown | $254,000 | $282,588 | $130,000 | $468,000 |
| Elsmere | $147,000 | $153,739 | $72,000 | $253,000 |
| **Kent County** | **$195,000** | **$234,345** | **$22,000** | **$4,350,000** |
| Dover | $183,500 | $194,880 | $33,000 | $475,000 |
| Smyrna Area – Smyrna, Clayton | $181,500 | $205,263 | $80,000 | $600,000 |
| Central Kent County – Magnolia, Camden, Wyoming, Felton, Viola | $205,000 | $237,696 | $22,000 | $445,000 |
| Harrington Area – Harrington, Houston | $169,000 | $174,462 | $88,000 | $295,000 |
| North Milford Area | N/A | N/A | N/A | N/A |
| **Sussex County** | **$260,000** | **$309,503** | **$20,000** | **$1,550,000** |
| WESTERN SUSSEX | | | | |
| Seaford Area – Milford, Frederica | N/A | N/A | N/A | N/A |
| Laurel Area – Laurel, Delmar | $186,000 | $172,316 | $50,000 | $305,000 |
| CENTRAL SUSSEX | | | | |
| South Milford Area - South Milford, Lincoln, Ellendale | $197,000 | $209,238 | $55,000 | $526,000 |
| Georgetown | N/A | N/A | N/A | N/A |
| Millsboro | N/A | N/A | N/A | N/A |
| EASTERN SUSSEX | | | | |
| Milton | N/A | N/A | N/A | N/A |
| Lewes Area | $345,000 | $414,743 | $20,000 | $1,500,000 |
| Bethany Area | $385,000 | $433,517 | $178,000 | $1,345,000 |

*Source: eNeighborhoods*

### vi. Home Sale Trends - Length of Time on Market

Length of time on market, as measured by average days on market (DOM), is an indicator of whether the market is more favorable to buyers ("buyer's market") or to sellers ("seller's market"). Typically, DOM of less than 60 days indicates a seller's market as units are purchased quickly, decreasing demand and putting upward pressure on prices. Buyer's markets exist when there is less demand for units and buyers are often able to negotiate more favorable prices. Average DOM of more than 60 days reflects a buyer's market.

Table 5-7 provides a review of the average DOM of units in Delaware. Information regarding DOM has been obtained from two sources. The New Castle County Board of Realtors provides information on real estate transactions in New Castle and Kent Counties. The Sussex County Association of Realtors provides information about days on market for Sussex County.

**Table 5-7**
**Average Days on Market – 2000 to 2006**

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Q1 2007 | Q2 2007 |
|---|---|---|---|---|---|---|---|---|---|
| New Castle County | N/A | N/A | 36 | 31 | 28 | 28 | 41 | 54 | 48 |
| Kent County | N/A | N/A | 63 | 50 | 42 | 41 | 54 | 69 | 72 |
| Sussex (eastern resort area) | 177 | 172 | 139 | 91 | 99 | 120 | 134 | N/A | N/A |
| Sussex (west) | | | 168 | 106 | 84 | 89 | 103 | N/A | N/A |

*Source: New Castle County Board of REALTORS©, Sussex County Association of REALTORS©*

- Since 2002 in New Castle County, the average DOM has varied from a low of 28 days in 2004 and 2005 to a high of 41 days in 2006. Reports for the first half of 2007 indicate an uptick, with the average DOM being 48 in the second quarter.
- In Kent County the average DOM reached a low of 41 days in 2005. Like New Castle County, Kent is experiencing more DOM in the first quarter half of 2007 – 72 days in the second quarter.
- Sussex County data is split into eastern (resort area) and western markets. Real estate sales in resort areas are often different than in typical neighborhoods, and separating the data helps to prevent data that is skewed. Overall, Sussex County has the highest average DOM going from a high of 168 (western) in 2002 to 84 (western) in 2004. As of 2006, average number of days on market is 134 (eastern) and 103 (western). It is possible that the higher number of days on market is due to more housing being built on spec and for investment purposes rather than as a household primary residence.

## vii. Cost-burdened Owner-occupied Housing

The rate of cost-burdened homeowners in Delaware went up dramatically between 2000 and 2005. Housing costs that exceed 30 percent of gross household income are considered excessive, and households paying above that threshold are classified as cost-burdened. Increasing numbers of Delaware's households have housing costs that exceed their available resources. Cost burden is of particular concern among low-income households who have fewer housing choices. When a low-income household pays higher proportions of its income for housing, it often has to cut back on other basic necessities such as food, clothing, and health care. Households that are cost-burdened ultimately may have trouble maintaining their dwelling. The magnitude and location of cost-burdened households is depicted on Table 5-8 below.

**Table 5-8**
**Change in Rate of Cost-burdened Owner Households – 2000, 2005**

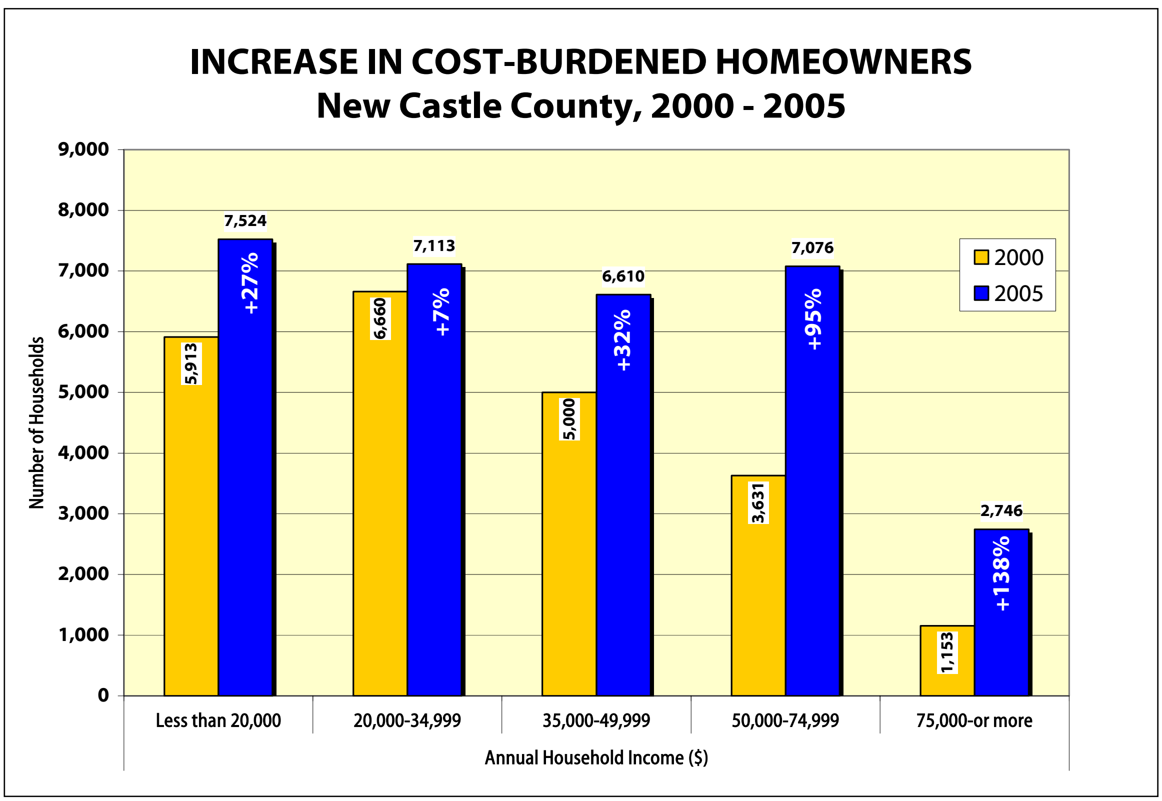
| | Owner Occupied Housing Units | Cost-burdened | | Annual Household Income In 1999, 2004 ($) | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Total | % of Owner Occupied Units | <20,000 | 20,000-34,999 | 35,000-49,999 | 50,000-74,999 | 75,000+ |
| ***New Castle County*** | | | | | | | | |
| 2000 | 132,493 | 22,357 | 16.9% | 5,913 | 6,660 | 5,000 | 3,631 | 1,153 |
| 2005 | 135,270 | 31,069 | 23.0% | 7,524 | 7,113 | 6,610 | 7,076 | 2,746 |
| % change | 2.1% | 39.0% | 6.1% | 27.2% | 6.8% | 32.2% | 94.9% | 138.2% |
| ***Kent County*** | | | | | | | | |
| 2000 | 33,048 | 4,804 | 14.5% | 1,576 | 1,744 | 985 | 406 | 93 |
| 2005 | 39,456 | 9,883 | 25.0% | 3,375 | 2,437 | 2,508 | 1,042 | 521 |
| % change | 19.4% | 105.7% | 10.5% | 114.1% | 39.7% | 154.6% | 156.7% | 460.2% |
| ***Sussex County*** | | | | | | | | |
| 2000 | 50,505 | 6,896 | 13.7% | 2,698 | 2,296 | 1,143 | 613 | 146 |
| 2005 | 55,134 | 13,573 | 24.6% | 5,529 | 3,721 | 1,989 | 1,684 | 650 |
| % change | 9.2% | 96.8% | 11.0% | 104.9% | 62.1% | 74.0% | 174.7% | 345.2% |
| ***DELAWARE*** | | | | | | | | |
| **2000** | **216,046** | **34,057** | **15.8%** | **10,187** | **10,640** | **7,128** | **4,710** | **1,392** |
| **2005** | **229,860** | **54,525** | **23.7%** | **16,428** | **13,271** | **11,107** | **9,802** | **3,917** |
| % change | 6.4% | 60.1% | 8.0% | 61.3% | 24.7% | 55.8% | 108.1% | 181.4% |
| ***City of Wilmington*** | | | | | | | | |
| 2000 | 14,347 | 3,120 | 21.7% | 1,440 | 895 | 537 | 141 | 67 |
| 2005 | 13,155 | 3,793 | 28.8% | 1,364 | 1,119 | 741 | 467 | 102 |
| % change | (8.3%) | 21.6% | 7.1% | (5.3%) | 25.0% | 38.0% | 231.2% | 52.2% |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

The 2005 ACS reports that 54,525 owner households in Delaware were cost-burdened. Cost-burdened owners represent nearly 24 percent of all owner-occupied households and increased in number by 20,468 (60 percent) from 2000. Among 2005 cost-burdened households, nearly three-quarters (74.8 percent) had incomes below the 2005 statewide median household income of $52,499.

- New Castle County had 31,069 cost-burdened owner households in 2005, representing 23 percent of all owners in the county. Over two-thirds (68.4 percent) of the cost-burdened households had annual incomes at or below 80 percent of the 2007 area MFI. Cost-burdened owner households increased by 8,712 (39 percent) from 2000 when the Census reported 22,357 cost-burdened owner households.

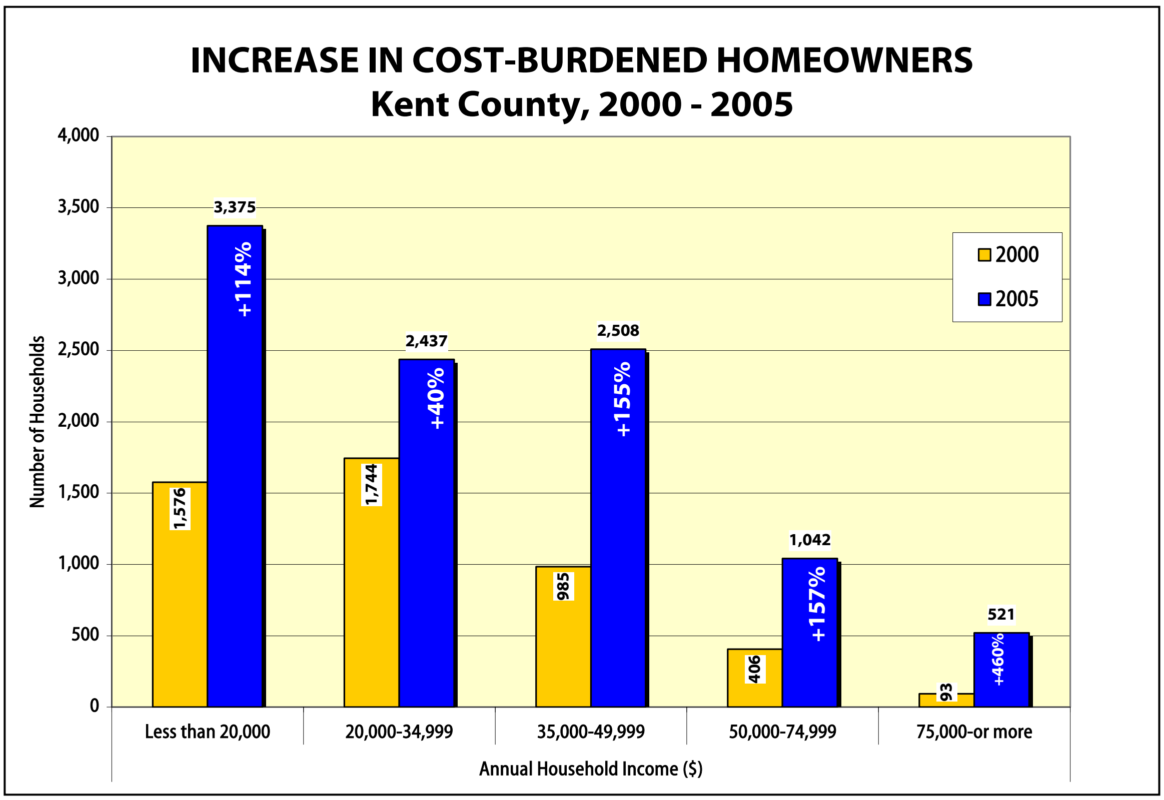
- The figure below shows the relative change in cost-burdened New Castle County homeowners between 2000 and 2005 by income category. Although the greatest percentage increase occurred among the higher income households, the 27 percent increase among households earning below $20,000 makes it the largest category of cost-burdened owners. Households with extremely low incomes experience cost burden more acutely than those at higher income levels.




*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

- In Kent County, there were 9,883 cost-burdened owner households in 2005, representing 25 percent of all owners in the county. Over 80 percent of the cost-burdened households had annual incomes at or below 80 percent of the 2007 area MFI. Cost-burdened owner households increased by 5,079 (105.7 percent) from 2000, when the Census reported 4,804 cost-burdened owner households.

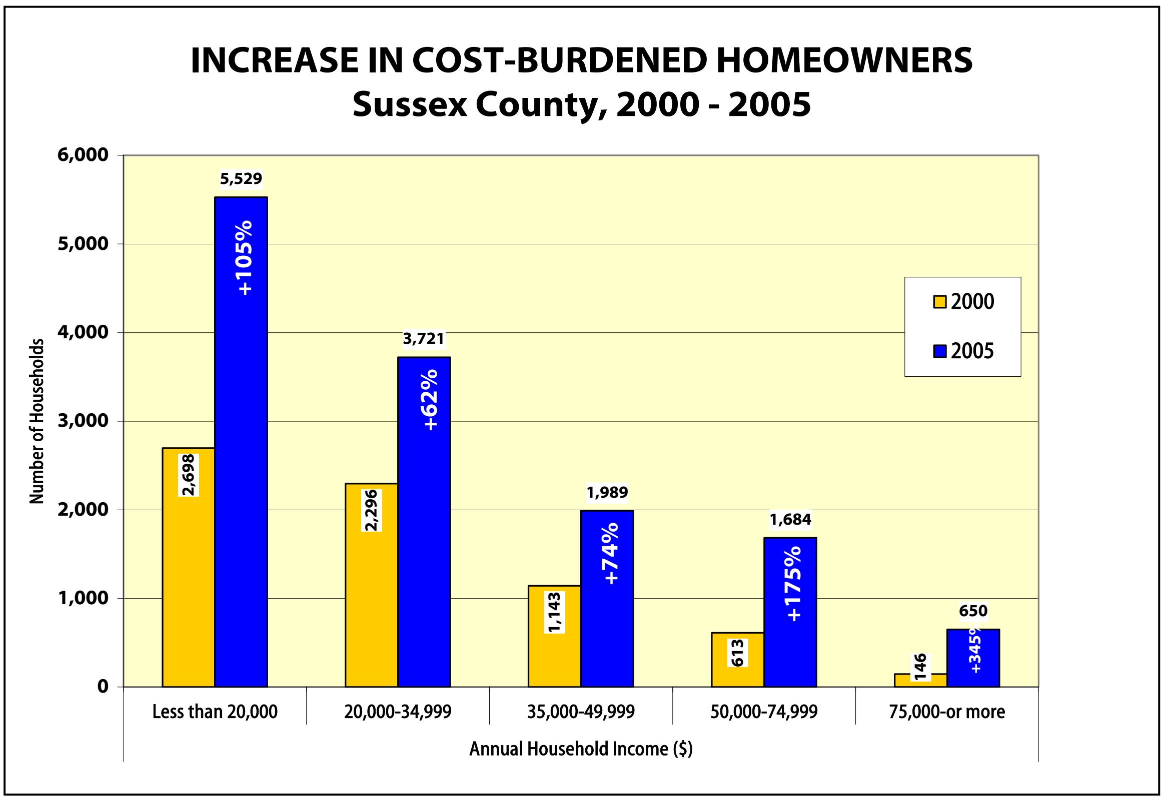
- The figure below shows the relative change in cost-burdened Kent County homeowners between 2000 and 2005 by income category. Although the greatest percentage increase occurred among the higher income households, the 114 percent increase among households earning below $20,000 makes them the largest category of cost-burdened owners. Households with extremely low incomes experience cost burden more acutely than those at higher income levels.




*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

- Sussex County has 13,537 cost-burdened owner households, which represents 24.6 percent of all owners in the county. Over 80 percent of these cost-burdened households had annual incomes at or below 80 percent of the 2007 area MFI. Cost-burdened owner households increased by 6,677 (96.8 percent) from 2000 when the Census reported 6,896 cost-burdened owner households.

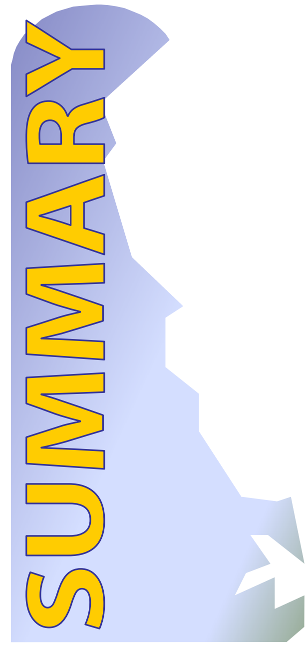
- The figure below shows the relative change in cost-burdened Sussex County homeowners between 2000 and 2005 by income category. Although the greatest percentage increase occurred among the higher income households, the 105 percent increase among households earning below $20,000 makes them by far the largest category of cost-burdened owners. Households with extremely low incomes experience cost burden more acutely than those at higher income levels.




*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

## 2.5 / HOUSING SUPPLY

### A. OWNER-OCCUPIED HOUSING




- **Delaware's homeownership rate, at 72.4 percent in 2005, is one of the highest in the nation. Of this large owner-occupied housing stock, single-family detached homes are the most common.**

- **The value of Delaware's owner-occupied housing stock increased significantly from 2000-2006, with high demand reflected in short lengths of time on the market for much of this period.**

- **The result of the boom in owner-occupied housing in Delaware has meant that few owner-occupied units are affordable to low and moderate-income households. While prices have stabilized in 2006 and the first half of 2007, they remain beyond the reach of many households.**

- **This period of rising prices and high demand also led many households to over-extend their resources to purchase a home. As of 2005, 54,525 households in Delaware were cost-burdened, paying 30 percent or more of their income for housing costs.**

- **Of particular concern is that 62.6 percent of these households, 34,132, have incomes below 80 percent of the median family income.**

## B. RENTAL HOUSING

### i. Rental Housing by Location

The 2000 Census reported that 82,690 of the units in Delaware were renter-occupied, representing 27.7 percent of the state's occupied housing stock. The 2005 ACS reported that five years later, renter-occupied units had increased by 5,082 (6.1 percent) to 87,780. As of 2005, 27.6 percent of the state's occupied units were renter-occupied. Nationwide in 2005, 33.1 percent of the occupied units were renter-occupied.

Table 5-9 presents renter-occupied housing by county and for the City of Wilmington providing an overview of the location of Delaware's renter-occupied housing. The table also presents the vacant for-rent housing in the state by location.

**Table 5-9**
**Change in Rental Housing Supply – 2000, 2005**

| | Housing Units | | Renter-occupied | | Vacant For-Rent Units | |
|---|---|---|---|---|---|---|
| | Total | Occupied | Total | % of Occupied | Total | % of Total Rental Units |
| ***New Castle County*** | | | | | | |
| 2000 | 199,521 | 188,935 | 56,442 | 29.9% | 4,572 | 8.1% |
| 2005 | 209,592 | 193,255 | 57,985 | 30.0% | 6,099 | 10.5% |
| % Change | 5.0% | 2.3% | 2.7% | 0.1% | 33.4% | 29.8% |
| ***Kent County*** | | | | | | |
| 2000 | 50,481 | 47,224 | 14,176 | 30.0% | 1,120 | 7.9% |
| 2005 | 58,161 | 53,731 | 14,275 | 26.6% | 1,064 | 7.5% |
| % Change | 15.2% | 13.8% | 0.7% | (3.5%) | (5.0%) | (5.7%) |
| ***Sussex County*** | | | | | | |
| 2000 | 93,070 | 62,577 | 12,072 | 19.3% | 1,724 | 14.3% |
| 2005 | 107,119 | 70,654 | 15,520 | 22.0% | 1,850 | 11.9% |
| % Change | 15.1% | 12.9% | 28.6% | 2.7% | 7.3% | (16.5%) |
| ***DELAWARE*** | | | | | | |
| 2000 | 343,072 | 298,736 | 82,690 | 27.7% | 7,416 | 9.0% |
| 2005 | 374,872 | 317,640 | 87,780 | 27.6% | 9,013 | 10.3% |
| % Change | 9.3% | 6.3% | 6.2% | 0.0% | 21.5% | 14.5% |
| ***City of Wilmington*** | | | | | | |
| 2000 | 32,138 | 28,617 | 14,270 | 49.9% | 1,247 | 8.7% |
| 2005 | 32,211 | 26,770 | 13,615 | 50.9% | N/A | N/A |
| % Change | 0.2% | (6.5%) | (4.6%) | 1.0% | N/A | N/A |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

The highest rate of renter-occupied units is in New Castle County, where 30 percent of the occupied units are renter-occupied. The rate is up slightly from 29.9 percent in 2000.

- In Kent County, there are 14,275 renter-occupied units, which is 26.6 percent of the occupied housing. The percent of renter-occupied units decreased from 30 percent in 2000.
- Sussex County's rate of renter-occupied units is 22 percent, up from 19.3 percent in 2000.
- Over half (50.9 percent) of the 26,770 occupied units in the City of Wilmington are renter-occupied. The City's rate of renter-occupied units is up from 49.9 percent in 2000.

The 2005 ACS reported 9,013 vacant for-rent units in Delaware, which is 10.3 percent of the total rental units. This overall vacancy rate is relatively high. The percentage of vacant for-rent units in both New Castle and Sussex Counties exceeded ten percent, while Kent County's vacancy rate stood at 7.5 percent.

### ii. Rental Housing by Type

As represented by type and units per structure, the renter-occupied housing stock in Delaware is more diverse than the owner-occupied housing. The 2005 ACS reported that about 58 percent (48,944) of the renter-occupied housing units in Delaware were in multi-family units, 38 percent (33,339) in single-family units, and 6 percent (5,224) were manufactured homes.

A greater percentage of Kent and Sussex Counties renter-occupied housing units are in single-family structures than in multi-family structures. This is representative of the more rural character of the two counties. Similarly, both counties have a higher percentage of rental manufactured homes.

Table 5-10 shows the change in rental units by type between 2000 and 2005. As the table indicates, the 2005 renter-occupied housing stock consisted of the following:

- In New Castle County, 65.6 percent (38,001) of the renter-occupied housing units were in multi-family structures, 33.1 percent (19,214) in single-family units, and just 0.8 percent (497) were manufactured homes.
- In Kent County, 46.4 percent (6,618) of the renter-occupied housing units were single-family units, 38.1 percent (5,437) were in multi-family structures, and 15.5 percent (2,220) were manufactured homes.

- In Sussex County 48.4 percent (5,506) of the renter-occupied housing units were single-family units, 35.5 percent (2,507) were in multi-family structures, and 16.1 percent (2,220) were manufactured homes.

- About 60 percent (8,137) of the City of Wilmington's renter-occupied units were in multi-family structures and 40.2 percent (5,478) were single-family units.

**Table 5-10**
**Change in Rental Housing by Unit Type – 2000, 2005**

| | | Single-family | | Multi-family | | Manufactured Homes | | Other | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total Renter-Occupied** | **Total** | **% of Renter Occupied** | **Total** | **% of Renter Occupied** | **Total** | **% of Renter Occupied** | **Total** | **% of Renter Occupied** |
| ***New Castle County*** | | | | | | | | | |
| 2000 | 56,442 | 17,100 | 30.3% | 38,944 | 69.0% | 398 | 0.7% | 0 | 0.0% |
| 2005 | 57,985 | 19,214 | 33.1% | 38,001 | 65.5% | 497 | 0.9% | 273 | 0.5% |
| % Change | 2.7% | 12.4% | 2.8% | (2.4%) | (3.5%) | 24.9% | 0.2% | 100.0% | 0.5% |
| ***Kent County*** | | | | | | | | | |
| 2000 | 14,176 | 5,744 | 40.5% | 6,354 | 44.8% | 2065 | 14.6% | 13 | 0.1% |
| 2005 | 14,275 | 6,618 | 46.4% | 5,437 | 38.1% | 2,220 | 15.6% | 0 | 0.0% |
| % Change | 0.7% | 15.2% | 5.8% | (14.4%) | (6.7%) | 7.5% | 1.0% | (100.0%) | (0.1%) |
| ***Sussex County*** | | | | | | | | | |
| 2000 | 12,072 | 5,806 | 48.1% | 3,891 | 32.2% | 2,346 | 19.4% | 29 | 0.2% |
| 2005 | 15,520 | 7,507 | 48.4% | 5,506 | 35.5% | 2,507 | 16.2% | 0 | 0.0% |
| % Change | 28.6% | 29.3% | 0.3% | 41.5% | 3.2% | 6.9% | (3.3%) | (100.0%) | (0.2%) |
| ***DELAWARE*** | | | | | | | | | |
| **2000** | **82,690** | **28,650** | **34.6%** | **49,189** | **59.5%** | **4,809** | **5.8%** | **42** | **0.1%** |
| **2005** | **87,780** | **33,339** | **38.0%** | **48,944** | **55.8%** | **5,224** | **6.0%** | **273** | **0.3%** |
| % Change | 6.2% | 16.4% | 3.3% | (0.5%) | (3.7%) | 8.6% | 0.1% | 550.0% | 0.3% |
| ***City of Wilmington*** | | | | | | | | | |
| 2000 | 14,270 | 5,261 | 36.9% | 9,001 | 63.1% | 8 | 0.1% | 0 | 0.0% |
| 2005 | 13,615 | 5,478 | 40.2% | 8,137 | 59.8% | 0 | 0.0% | 0 | 0.0% |
| % Change | (4.6%) | 4.1% | 3.4% | (9.6%) | (3.3%) | (100.0%) | (0.1%) | N/A | 0.0% |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

### iii. Rental Housing by Number of Bedrooms

Statewide, about 36,900 or 42 percent of Delaware's renter-occupied housing had two bedrooms as of 2005. There were 22,352 units (25 percent) with one bedroom and 22,220 units (25 percent) with three bedrooms. There were just 5,487 units (6.3 percent) with four or more bedrooms and only 834 (one percent) with no bedroom. The pattern is similar among the renter-occupied housing in the counties and the City of Wilmington as shown in Table 5-11.

**Table 5-11**
**Rental Housing by No. of Bedrooms –2005**

| | Delaware | | New Castle County | | Kent County | | Sussex County | | City of Wilmington | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | % | Total | % | Total | % | Total | % | Total | % |
| no bedroom | **834** | 1.0% | 602 | 1.0% | 232 | 1.6% | 0 | 0.0% | 327 | 2.4% |
| 1 bedroom | **22,352** | 25.5% | 17,175 | 29.6% | 2,891 | 20.3% | 2,286 | 14.7% | 4,965 | 36.5% |
| 2 bedrooms | **36,887** | 42.0% | 25,045 | 43.2% | 5,649 | 39.6% | 6,193 | 39.9% | 4,095 | 30.1% |
| 3 bedrooms | **22,220** | 25.3% | 11,953 | 20.6% | 4,697 | 32.9% | 5,570 | 35.9% | 3,112 | 22.9% |
| 4 bedrooms | **4,284** | 4.9% | 2,695 | 4.6% | 763 | 5.3% | 826 | 5.3% | 1,116 | 8.2% |
| 5 or more bedrooms | **1,203** | 1.4% | 515 | 0.9% | 43 | 0.3% | 645 | 4.2% | 0 | 0.0% |
| **Total** | **87,780** | 100.0% | 57,985 | 100.0% | 14,275 | 100.0% | 15,520 | 100.0% | 13,615 | 100.0% |

*Source: U.S. Census Bureau, 2005 American Community Survey*

### iv. Range of Rents and Median Gross Rent

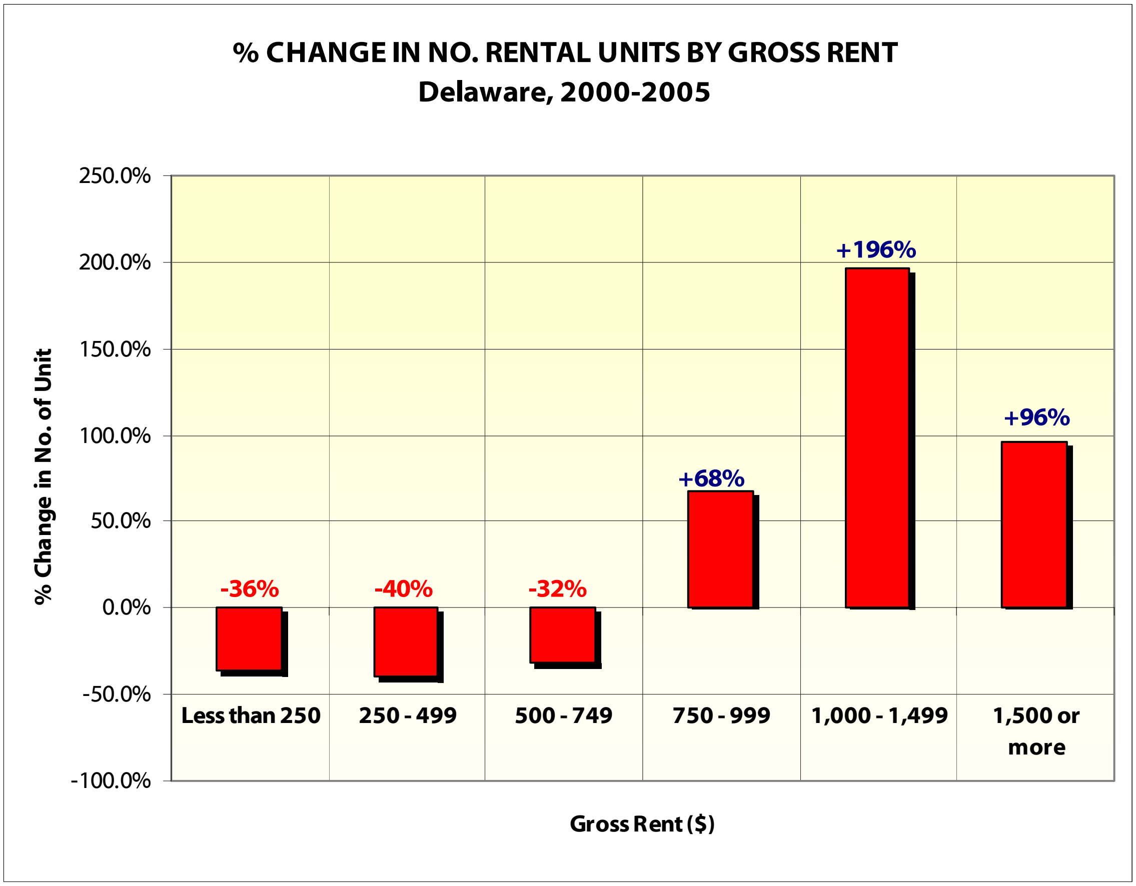
The 2005 ACS reports that, statewide, median gross rent was $793 per month. This represents an increase of 24.1 percent since 2000 when the Census reported a median gross rent of $639 per month. Had median gross increased at the rate of inflation, it would be $724 in 2005. Since 2000, units with gross rent of less than $500 per month decreased from about 26 percent of the units to 15 percent of the units. Units with gross rent at or above $1,000 per month increased from about 9 percent to about 24 percent.

Table 5-12 presents changes in the number of rental units per gross rent range between 2000 and 2005.

**Table 5-12**
**Change in Units by Gross Rent – 2000, 2005**

| | Total Rental Units Paying Cash Rent | Median Gross Monthly Rent ($) | Units per Gross Rent Range | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | < $250 | $250 - $499 | $500 - $749 | $750 - $999 | $1,000 - $1,499 | ≥ $1,500 |
| ***New Castle County*** | | | | | | | | |
| 2000 | 54,632 | 670 | 4,178 | 6,226 | 25,257 | 12,749 | 4,772 | 1,450 |
| 2005 | 55,096 | 832 | 2,578 | 3,533 | 14,366 | 19,666 | 12,463 | 2,490 |
| % Change | 0.8% | 24.2% | (38.3%) | (43.3%) | (43.1%) | 54.3% | 161.2% | 71.7% |
| ***Kent County*** | | | | | | | | |
| 2000 | 12,201 | 573 | 1,167 | 3,370 | 5,185 | 1,876 | 560 | 43 |
| 2005 | 13,337 | 741 | 980 | 1,603 | 4,270 | 4,003 | 2,091 | 390 |
| % Change | 9.3% | 29.3% | (16.0%) | (52.4%) | (17.6%) | 113.4% | 273.4% | 807.0% |
| ***Sussex County*** | | | | | | | | |
| 2000 | 10,355 | 507 | 1,450 | 3,588 | 3,617 | 1,288 | 356 | 56 |
| 2005 | 13,661 | 671 | 786 | 2,795 | 4,610 | 3,031 | 2,278 | 161 |
| % Change | 31.9% | 32.3% | (45.8%) | (22.1%) | 27.5% | 135.3% | 539.9% | 187.5% |
| ***DELAWARE*** | | | | | | | | |
| 2000 | 77,188 | 639 | 6,795 | 13,184 | 34,059 | 15,913 | 5,688 | 1,549 |
| 2005 | 82,094 | 793 | 4,344 | 7,931 | 23,246 | 26,700 | 16,832 | 3,041 |
| % Change | 6.4% | 24.1% | (36.1%) | (39.8%) | (31.7%) | 67.8% | 195.9% | 96.3% |
| ***City of Wilmington*** | | | | | | | | |
| 2000 | 13,876 | 596 | 2,200 | 2,774 | 5,188 | 2,706 | 910 | 98 |
| 2005 | 13,416 | 736 | 1,367 | 1,562 | 4,026 | 3,418 | 2,945 | 98 |
| % Change | (3.3%) | 23.5% | (37.9%) | (43.7%) | (22.4%) | 26.3% | 223.6% | 0.0% |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*




*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

Table 5-13 applies the findings contained in Table 4-1, *Income Levels and Housing Affordability Ranges*, to the gross rents of the renter-occupied housing in order to determine the percent of the 2005 renter units that are potentially affordable to households in various 2007 area MFI ranges. This analysis uses the standard that a household paying no more than 30 percent of gross income for rent resides in an affordable unit.

**Table 5-13**
**Percent of Rental Units Affordable at % 2007 MFI**

| | Percent of Units Affordable to Households by Income | | | | |
|---|---|---|---|---|---|
| | 30% MFI | 50% MFI | 80% MFI | 100% MFI | 115% MFI |
| New Castle County | 11% | 73% | 95% | 100% | 100% |
| Kent County | 19% | 51% | 81% | 97% | 100% |
| Sussex County | 26% | 60% | 82% | 99% | 100% |

*Source: Mullin & Lonergan Associates, Inc.*

### a. New Castle County

By county, the highest median gross rent was in New Castle County at $832 per month. Since 2000, median gross rent increased by 24.2 percent from $670 per month. Had median gross increased at the rate of inflation, it would be $760 in 2005. Since 2000, units with gross rent of less than $500 per month decreased from 19 percent of the units to 11.1 percent of the units. Units with gross rent at or above $1,000 per month increased from 11.4 percent to 27.1 percent.

- Low income households with incomes at 80 percent of the MFI can afford rent of up to $1,432 per month. About 95 percent of the county's housing stock is affordable to households in this income range.
- Households at 100 percent of MFI can afford rent of up to $1,790 per month and can generally afford all of the renter-occupied units.
- Households at 115 percent of MFI can afford rent of up to $2,059 per month and can generally afford all of the renter-occupied units.

### b. Kent County

The median gross rent in Kent County is $741 per month, an increase of 29.3 percent from $573 per month in 2000. Had median gross increased at the rate of inflation, it would be $650 in 2005. Since 2000, units with gross rent of less than $500 per month decreased from 37.2 percent of the units to 19.4 percent of the units. Units with gross rent at or above $1,000 per month increased from 0.5 percent to 18.6 percent.

- Low income households (again, with incomes at or below 80 percent of MFI) can afford rent of up to $1,174 per month. About 81 percent of the county's housing stock is affordable to households in this income range.
- Households at 100 percent of MFI can afford rent of up to $1,468 per month. About 97 percent of the renter housing stock is affordable to households in this income range.
- Households at with incomes at 115 percent of MFI can afford rent of up to $1,688 per month and can generally afford all of the renter-occupied units.

### c. Sussex County

From 2000 to 2005, the median gross rent in Sussex County increased by 32.3 percent from $507 to $671 per month. Had median gross increased at the rate of inflation, it would be $575 in 2005. Since 2000, units with gross rent of less than $500 per month decreased from 48.7 percent of the units to 26.2 percent of the units. Units with gross rent at or above $1,000 per month increased from 0.5 percent to 18 percent.

- Low income households can afford rent of up to $1,076 per month. About 82 percent of the county's housing stock is affordable to households in this income range.
- Households at 100 percent of MFI can afford rent of up to $1,345 per month. Almost all of the county's renter housing stock is affordable to households in this income range.
- Households with incomes at 115 percent of MFI can afford rent of up to $1,547 per month and can generally afford all of the renter-occupied units.

### d. Census 2000 Gross Rent Data

Because the 2005 ACS does not report data at the CCD level, no comparisons to CCD data from the 2000 Census can be made. The following provides an overview of rents for the CCDs as reported by the 2000 Census and identifies patterns in the counties.

- In New Castle County, the highest median gross rent was in the Piedmont CCD, and the lowest was in the Middletown/Odessa CCD. The greatest percentages of least expensive units were in and around the City of Wilmington.
- In Kent County, the highest median gross rent was in the City of Dover, and the lowest was in the Smyrna CCD.
- In Sussex County, the highest median gross rent was in the Lewes CCD, and the lowest was in the Seaford CCD.

### v. Cost-burdened Renter-occupied Housing

The 2005 ACS reported that 37,263 renter households in Delaware were cost-burdened. Although significant, the increase in cost-burdened renters was not as dramatic as among homeowners. The increase in number of cost-burdened renter households between 2000 and 2005 is depicted in Table 5-14.

**Table 5-14**
**Change in Cost-burdened Renter Households – 2000, 2005**

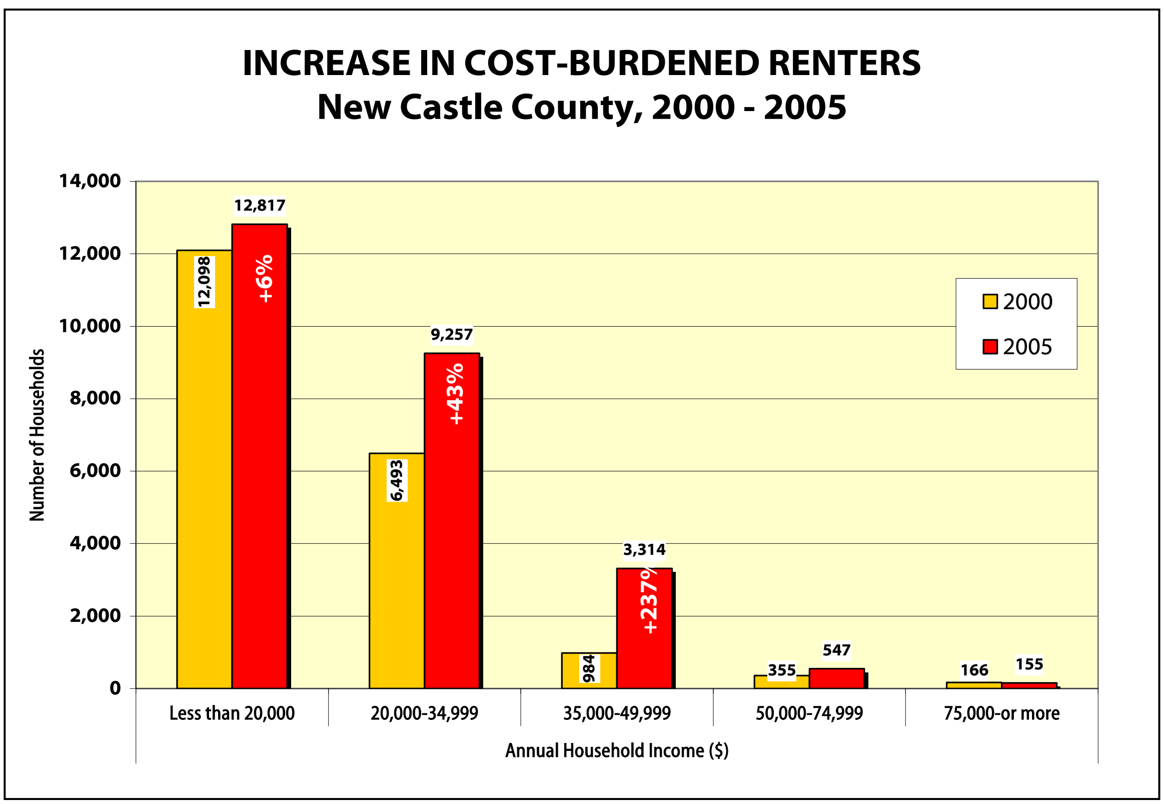
| | Renter Occupied Housing Units | Cost-burdened | | Annual Household Income In 1999, 2004 ($) | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Total | % of Renter Occupied Units | <20,000 | 20,000-34,999 | 35,000-49,999 | 50,000-74,999 | 75,000 + |
| ***New Castle County*** | | | | | | | | |
| 2000 | 56,442 | 20,096 | 35.6% | 12,098 | 6,493 | 984 | 355 | 166 |
| 2005 | 57,985 | 26,090 | 45.0% | 12,817 | 9,257 | 3,314 | 547 | 155 |
| % change | 2.7% | 29.8% | 9.4% | 5.9% | 42.6% | 236.8% | 54.1% | (6.6%) |
| ***Kent County*** | | | | | | | | |
| 2000 | 14,176 | 4,676 | 33.0% | 3,489 | 1,041 | 146 | 0 | 0 |
| 2005 | 14,275 | 6,016 | 42.1% | 3,531 | 1,435 | 946 | 104 | 0 |
| % change | 0.7% | 28.7% | 9.2% | 1.2% | 37.8% | 547.9% | n/a | n/a |
| ***Sussex County*** | | | | | | | | |
| 2000 | 12,072 | 3,356 | 27.8% | 2,563 | 730 | 50 | 5 | 8 |
| 2005 | 15,520 | 5,157 | 33.2% | 3,037 | 1,594 | 460 | 66 | 0 |
| % change | 28.6% | 53.7% | 5.4% | 18.5% | 118.4% | 820.0% | 1220.0% | (100.0%) |
| ***DELAWARE*** | | | | | | | | |
| **2000** | **82,690** | **28,128** | **34.0%** | **18,150** | **8,264** | **1,180** | **360** | **174** |
| **2005** | **87,780** | **37,263** | **42.5%** | **19,385** | **12,286** | **4,720** | **717** | **155** |
| % change | 6.2% | 32.5% | 8.4% | 6.8% | 48.7% | 300.0% | 99.2% | (10.9%) |
| ***City of Wilmington*** | | | | | | | | |
| 2000 | 14,270 | 5,589 | 39.2% | 3,950 | 1,430 | 172 | 23 | 0 |
| 2005 | 13,615 | 7,904 | 58.1% | 4,636 | 2,238 | 972 | 58 | 0 |
| % change | (4.6%) | 41.4% | 18.9% | 17.4% | 56.5% | 465.1% | 152.2% | n/a |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

Cost-burdened renters represented 42.5 percent of all renter households. The number of cost-burdened renter households increased by 9,135 (32.5 percent) from 2000 when the Census reported that statewide there were 28,128 cost-burdened renter households.

- New Castle County has 26,090 cost-burdened renter households, which is 45 percent of all renters. As of 2005, over 97 percent (25,388) had annual incomes below $50,000 and thus below 80 percent of area MFI, the threshold for being considered low-income. Cost-burdened renter households increased by 5,994 (29.8 percent) from 2000 when the Census reported 20,096 cost-burdened renter households.

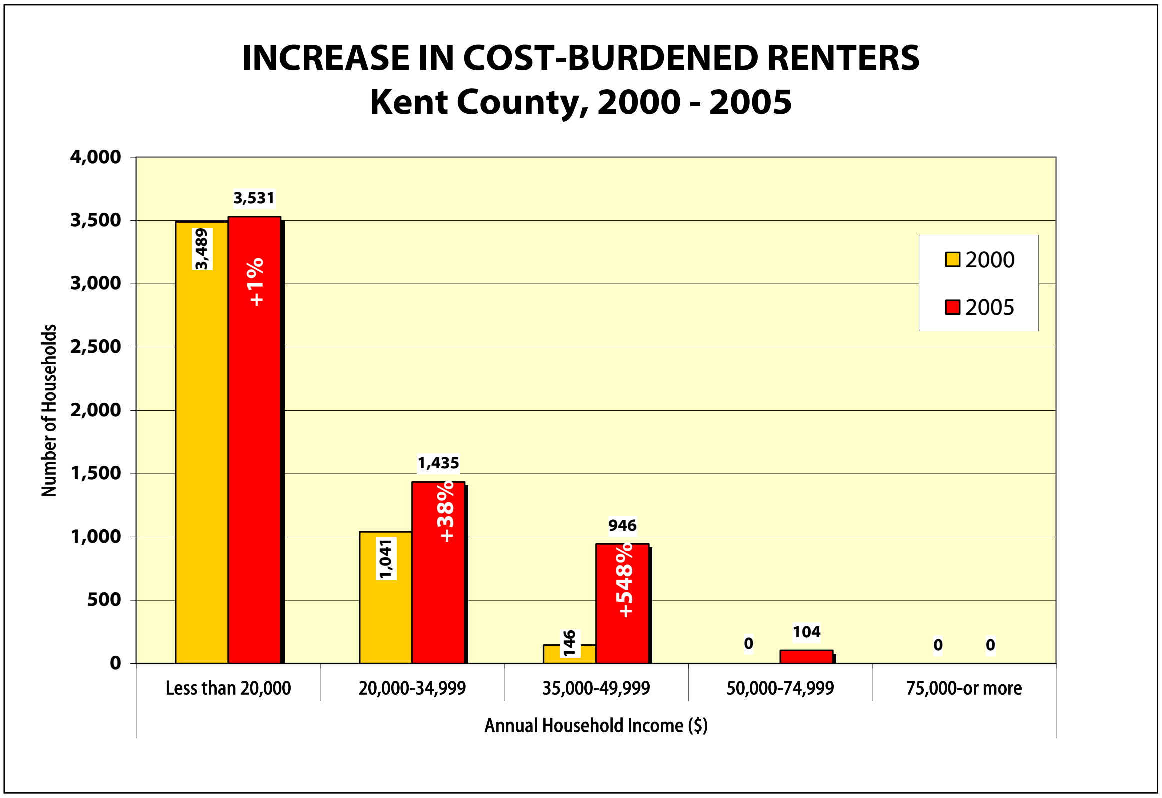
- The figure below shows the relative change in cost-burdened New Castle County renters between 2000 and 2005 by income category. Although the percentage increase among households earning below $20,000 was small, they were still by far the largest category of cost-burdened renters. Households with extremely low incomes experience cost burden more acutely than those at higher income levels. Cost burden among the extremely low income will be analyzed later in the discussion of "at risk" renters.




*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

- In Kent County, there are 6,016 cost-burdened renter households, which is 42.1 percent of all renters in the county. Nearly 98 percent (5,912) had annual incomes below \$50,000, putting most below 80 percent of area MFI. Cost-burdened renter households increased by 1,340 (28.7 percent) from 2000 when the Census reported 4,676 cost-burdened renter households.

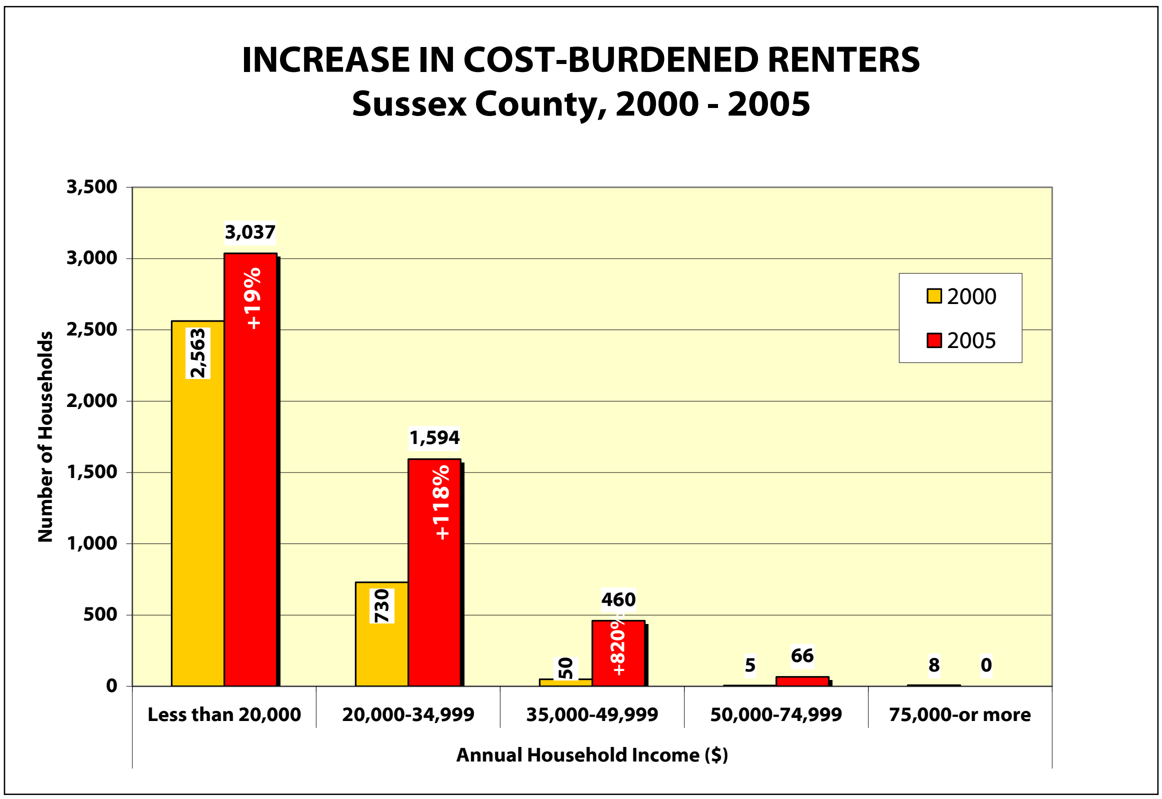
- The figure below shows the relative change in cost-burdened Kent County renters between 2000 and 2005 by income category. Although the percentage increase among households earning below \$20,000 was negligible, they were still by far the largest category of cost-burdened renters. Households with extremely low incomes experience cost burden more acutely than those at higher income levels. Cost burden among the extremely low income will be analyzed later in the discussion of "at risk" renters.




*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

- Sussex County has 5,157 cost-burdened renters households, which is 33.2 percent of all renters. Nearly 90 percent (4,631) had annual incomes below $35,000, falling well below 80 percent of area MFI. Cost-burdened renter households increased by 1,801 (53.7 percent) from 2000 when the Census reported 3,356 cost-burdened renter households.

- The figure below shows the relative change in cost-burdened Sussex County renters between 2000 and 2005 by income category. Although the percentage increase among households earning below $20,000 was small, they were still by far the largest category of cost-burdened renters. Households with extremely low incomes experience cost burden more acutely than those at higher income levels. Cost burden among the extremely low income will be analyzed later in the discussion of "at risk" renters.




*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

## vi. Assisted Rental Housing Inventory & Issues

### a. Inventory of Fixed Assisted Units

Based on the inventory of assisted rental housing developments containing five or more units, prepared by DSHA in 2007, there are 13,615 assisted rental housing units in Delaware that are affordable to low-income households. The assisted rental units include units owned and administered by the five public housing authorities in the state, units developed with assistance from HUD's Section 202 program and/or other HUD/DSHA programs, units that receive HUD project-based Section 8 assistance, units funded through the US Department of Agriculture (USDA) Rural Development program, and units developed through the use of Low Income Housing Tax Credits.

The assisted rental housing units represent 15.5 percent of the renter occupied units reported in Delaware by the 2005 ACS. Approximately 65 percent (8,981) of the assisted rental units are available to family households and 34 percent (4,634) of the units are for elderly households, including the units developed with HUD Section 202 assistance.

- In New Castle County, there are 7,603 assisted rental housing units. The assisted rental housing units in New Castle County represent 56 percent of the assisted rental housing units in Delaware. Sixty percent (4,556) of the units are available to family households.
- There are 4,308 assisted rental housing units in the City of Wilmington, representing 57 percent of the assisted rental housing units in New Castle County. The assisted rental housing units in the City of Wilmington are 32 percent of the total assisted rental housing units in the state. Fifty percent (2,232) of the assisted rental housing units in the City of Wilmington are for family households.
- Kent County contains 2,890 assisted rental housing units, which is 21 percent of the assisted rental housing units in Delaware. Approximately 70 percent (2013) of the assisted rental housing units in Kent County are for family households.
- There are 1,662 assisted rental housing units in the City of Dover, which is 57 percent of the assisted rental housing units in Kent County. The City of Dover contains 12 percent of the assisted rental housing units in Delaware. Nearly three quarters (1,193 units, 72 percent) of Dover's affordable rentals are for family households.
- There are 3,122 assisted rental housing units in Sussex County, which is 23 percent of the state's assisted rental housing units. Seventy-seven percent (2,412) of the assisted rental housing units in Sussex County are for family households.

Table 5-15 on the following pages presents an inventory of the assisted rental housing units in Delaware by county by CCD. The tables show the number of assisted rental housing units and the percent of the total rental units that are affordable. The appendix of the *Housing Needs Assessment* provides the name and location, by CCD, of each of the housing developments with assisted rental units.

**Table 5-15**
**Assisted Rental Housing Inventory– 2007**

| | Renter Units | | | Subsidized Units | | | | | | | | Income Restricted Units | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Public Housing | | HUD Assisted | | Section 8 Project Based | | Rural Development | | Other Income Restricted | | Low-income Housing Tax Credit | |
| | Total Occupied | Assisted Rental | | | | | | | | | | | | | |
| | | Total | % of Total Occupied | Family | Elderly | Section 202 | Other DSHA/ HUD | Family | Elderly | Family | Elderly | Family | Elderly | Family | Elderly |
| ***New Castle County*** | | | | | | | | | | | | | | | |
| Brandywine | 8,587 | 734 | 8.55% | 0 | 0 | 0 | 22 | 168 | 208 | 0 | 0 | 0 | 0 | 336 | 0 |
| Wilmington | 14,270 | 4,308 | 30.19% | 910 | 400 | 333 | 80 | 565 | 1,093 | 0 | 0 | 30 | 0 | 647 | 250 |
| Lower Christiana | 4,085 | 202 | 4.94% | 0 | 0 | 0 | 4 | 72 | 0 | 0 | 0 | 0 | 0 | 126 | 0 |
| Greater Newark | 8,612 | 998 | 11.59% | 42 | 36 | 0 | 15 | 265 | 323 | 0 | 0 | 18 | 0 | 299 | 0 |
| Pike Creek/ Central Kirkwood | 3,380 | 236 | 6.98% | 0 | 0 | 0 | 4 | 0 | 102 | 0 | 0 | 0 | 0 | 130 | 0 |
| Upper Christiana | 3,706 | 14 | 0.38% | 0 | 0 | 0 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Piedmont | 1,437 | 8 | 0.56% | 0 | 0 | 0 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central Pencader | 2,084 | 9 | 0.43% | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Middletown/ Odessa | 1,068 | 296 | 27.72% | 0 | 24 | 0 | 4 | 107 | 10 | 0 | 0 | 0 | 0 | 151 | 0 |
| New Castle | 9,019 | 798 | 8.85% | 0 | 0 | 0 | 12 | 197 | 268 | 0 | 0 | 0 | 0 | 321 | 0 |
| Red Lion | 194 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **County Total** | 56,442 | 7,603 | 13.47% | 952 | 460 | 333 | 172 | 1,374 | 2,004 | 0 | 0 | 48 | 0 | 2,010 | 250 |

| | Renter Units | | | Subsidized Units | | | | | | | | Income Restricted Units | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Public Housing | | HUD Assisted | | Section 8 Project Based | | Rural Development | | Other Income Restricted | | Low-income Housing Tax Credit | |
| | Total Occupied | Assisted Rental Total | Assisted Rental % of Total Occupied | Family | Elderly | Section 202 | Other DSHA/ HUD | Family | Elderly | Family | Elderly | Family | Elderly | Family | Elderly |
| ***Kent County*** | | | | | | | | | | | | | | | |
| Kenton | 222 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Smyrna | 1,176 | 328 | 27.89% | 50 | 32 | 0 | 0 | 0 | 0 | 40 | 54 | 0 | 0 | 152 | 0 |
| Dover | 9,100 | 1,662 | 18.26% | 372 | 50 | 161 | 44 | 177 | 198 | 0 | 0 | 84 | 0 | 516 | 60 |
| Central Kent | 1,228 | 58 | 4.72% | 54 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Felton | 282 | 40 | 14.18% | 0 | 0 | 0 | 8 | 0 | 0 | 22 | 0 | 0 | 0 | 10 | 0 |
| Milford North | 1,361 | 584 | 42.91% | 0 | 0 | 0 | 0 | 89 | 170 | 0 | 0 | 40 | 0 | 225 | 60 |
| Harrington | 807 | 218 | 27.01% | 70 | 0 | 0 | 0 | 0 | 0 | 42 | 92 | 14 | 0 | 0 | 0 |
| **County Total** | 14,176 | 2,890 | 20.39% | 546 | 82 | 161 | 56 | 266 | 368 | 104 | 146 | 138 | 0 | 903 | 120 |

*NOTE: If assisted rental units were subsidized by Low-Income Housing Tax Credits AND another source (e.g., project-based Section 8), they will appear in the other source column.*

| | Renter Units | | | Subsidized Units | | | | | | | | Income Restricted Units | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Public Housing | | HUD Assisted | | Section 8 Project Based | | Rural Development | | Other Income Restricted | | Low-income Housing Tax Credit | |
| | Total Occupied | Assisted Rental | | | | | | | | | | | | | |
| | | Total | % of Total Occupied | Family | Elderly | Section 202 | Other DSHA/ HUD | Family | Elderly | Family | Elderly | Family | Elderly | Family | Elderly |
| ***Sussex County*** | | | | | | | | | | | | | | | |
| Bridgeville Greenwood | 764 | 184 | 24.08% | 50 | 0 | 0 | 4 | 0 | 0 | 65 | 62 | 3 | 0 | 0 | 0 |
| Milford South | 1,234 | 154 | 12.48% | 0 | 0 | 0 | 6 | 0 | 0 | 101 | 36 | 11 | 0 | 0 | 0 |
| Milton | 697 | 189 | 27.12% | 0 | 0 | 0 | 23 | 32 | 50 | 0 | 0 | 0 | 0 | 48 | 36 |
| Lewes | 1,723 | 473 | 27.45% | 50 | 0 | 0 | 8 | 40 | 65 | 32 | 0 | 0 | 0 | 214 | 64 |
| Millsboro | 1,211 | 411 | 33.94% | 0 | 0 | 0 | 0 | 50 | 31 | 77 | 0 | 17 | 0 | 236 | 0 |
| Selbyville/ Frankford | 1,505 | 129 | 8.57% | 55 | 0 | 0 | 0 | 0 | 0 | 14 | 44 | 16 | 0 | 0 | 0 |
| Georgetown | 999 | 375 | 37.54% | 0 | 0 | 0 | 16 | 75 | 0 | 95 | 62 | 67 | 0 | 0 | 60 |
| Seaford | 2,238 | 660 | 29.49% | 0 | 0 | 27 | 21 | 210 | 0 | 215 | 46 | 17 | 0 | 98 | 26 |
| Laurel/ Delmar | 1,701 | 547 | 32.16% | 0 | 0 | 21 | 0 | 226 | 0 | 84 | 56 | 27 | 0 | 109 | 24 |
| **County Total** | 12,072 | 3,122 | 25.86% | 155 | 0 | 48 | 78 | 633 | 146 | 683 | 306 | 158 | 0 | 705 | 210 |
| **DELAWARE** | **82,690** | **13,615** | **16.47%** | **1,653** | **542** | **542** | **306** | **2,273** | **2,518** | **787** | **452** | **344** | **0** | **3,618** | **580** |

*Source: Delaware State Housing Authority; U.S. Department of Housing and Urban Development; USDA Rural Development*

*NOTE: If assisted rental units counted above were subsidized by Low-Income Housing Tax Credits AND another source (e.g., project-based Section 8), they will appear in the column for the non-tax credit source.*

### b. Public Housing & Housing Choice Vouchers

There are five public housing authorities (PHAs) in Delaware. Along with DSHA, the other authorities are the Wilmington Housing Authority, the New Castle County Housing Authority, the Newark Housing Authority, and the Dover Housing Authority.

Each of the five public housing authorities in Delaware administers a Housing Choice Voucher program. The Housing Choice Voucher is attached to the household rather than the unit, as with the fixed units identified in Table 5-15 above. The following identifies the Housing Choice Vouchers administered by each of the public housing authorities in the state as of May 2007.

- Delaware State Housing Authority – 905
- New Castle County - 1,725
- City of Wilmington - 1,577
- City of Newark - 200
- City of Dover – 220

In addition to vouchers, many PHAs own and manage housing units. The New Castle County Housing Authority only administers the voucher program, however the Wilmington Housing Authority owns and manages 1,187 public housing units in the City of Wilmington. The Newark Housing Authority owns and operates 98 units; Dover owns and operates 303.

The unit counts are included in the inventory presented above in Table 5-15. Meanwhile, information about waiting lists for public housing units and housing choice vouchers appears later in this document in *Section 3: Housing Demand*.

### c. Rental Units in the Pipeline

Information was collected to determine assisted rental housing in production in Delaware. Records reviewed included those of DSHA regarding awarded low income housing tax credits, HUD regarding funding approvals, Federal Home Loan Bank of Pittsburgh regarding funding approvals, and USDA regarding funding approvals.

As of May 2007, there were 821 assisted rental housing units that have been approved for funding but, as of the date of this report, are not yet completed. Of the 821 units, the majority (662 units) are existing assisted rental units that are to be substantially rehabilitated. Almost three-quarters of the units (614 units) will be for family households, and the remaining 104 units will be designated as elderly households.

- Thirty-five percent (291) of the assisted rental housing units in production are in New Castle County. Eighty of the units are in the City of Wilmington. 172 of the assisted rental housing units in production are targeted to family occupancy, with 119 being targeted to seniors.

- Thirty percent (250) of the assisted rental housing units that are in production are in Kent County, with 132 of those consisting of Section 8 and tax credits in one development.
- Thirty-four percent (280) of assisted rental housing units are in production in Sussex County, with the greatest portion consisting of 158 units in Milford.
- Similar to the previous *Housing Needs Assessment* conducted in 2003, the greatest amount of production is located in New Castle County; however, overall production appears to be more evenly spread out as of this report.

Table 5-16 identifies the assisted rental housing units in production in Delaware by county and CCD.

**Table 5-16**
**Assisted Rental Units Approved for Funding – May 2007**

| | Total Units | Family Units | Elderly Units |
|---|---|---|---|
| **New Castle County** | 291 | 172 | 119 |
| Wilmington | 80 | 63[1] | 17 |
| Newark | 102 | 0 | 102 |
| **Kent County** | 250 | 182[2] | 68 |
| Dover | 196 | 164 | 32 |
| **Sussex County** | 280 | 260 | 20[3] |
| Georgetown | 0 | 0 | 0 |
| **DELAWARE** | **821** | **614** | **207** |

*Source: Delaware State Housing Authority, U.S. Department of Agriculture, U.S. Department of Housing and Urban Development, Federal Home Loan Bank of Pittsburgh*

[1] *– Includes 7 special needs units*

[2] *– HUD 811*

[3] *– HUD 202*

**d. Rental Units at Risk of Conversion**

Information was collected to determine the assisted renter housing units that may be lost to conversion to market units in Delaware through 2012. Data reviewed included DSHA's database of assisted rental units in the state as well as the agency's records regarding expiring low income housing tax credits, HUD's records regarding expiring Section 8 contracts and expiring mortgages for Section 202 and Section 811 assisted housing, and USDA's records regarding assisted rental projects. Once contracts and/or mortgages expire, property owners have the option to convert the units to market rate, thus the dilemma for low-income renters. (The topic of preserving assisted rental units is discussed further in *Section 3: Housing Demand* later in the document.)

The review of the information indicated that, statewide, up to 4,604 assisted rental housing units may be lost due to conversion to market rate units. Units potentially lost include 3,214 for families and 1,390 for the elderly.

The assisted rental housing units that potentially may be lost to conversion by 2012 are 34 percent of the assisted rental housing units currently in Delaware. The assisted units that may be lost due to conversion are HUD Section 8 Project Based units, Low Income Housing Tax Credit units, and Rural Development units.

- In New Castle County, there are 2,217 assisted rental housing units that may be lost due conversion by 2012. The units are 29 percent of the assisted housing units in New Castle County.
- 1,121 of the units that may be lost due to conversion are in the City of Wilmington. The units are 26 percent of the affordable rental housing units in the City of Wilmington.
- In Kent County, there are 1,110 assisted rental housing units that may be lost due to conversion. The units are 38 percent of the assisted rental housing units in Kent County.
- There are 586 assisted rental housing units that may be lost due to conversion in the Dover area. The units are 35 percent of the assisted rental housing units in Dover.
- There are 1,277 assisted rental housing units that may be lost due to conversion in Sussex County representing 41 percent of the assisted rental housing units in Sussex County.

Although there are 4,604 units that could potentially be lost due to conversion, 2,231 (50 percent) are existing tax credit developments that have extended use requirements, which may limit an owner's ability to convert their units to market rate rentals.

Table 5-17 shows the assisted rental housing units that may be lost to conversion in Delaware by 2012 by county and CCD.

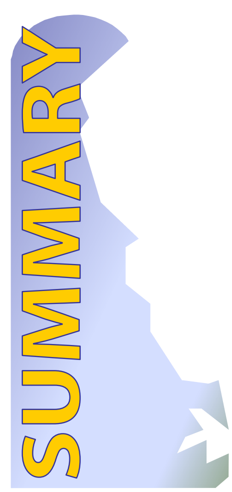
## Table 5-17
## Assisted Rental Housing Potentially Lost to Conversion - 2007 to 2012

| | Total Assisted | Units Potentially Lost To Conversion | | | | Subsidized Units | | | | Income Restricted Units | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | HUD Section 8 Project Based | | Rural Development | | Low Income Housing Tax Credit | |
| | | Total | Family Units | Elderly | % Total Assisted | Family Units | Elderly | Family Units | Elderly | Family Units | Elderly |
| ***New Castle County*** | | | | | | | | | | | |
| Brandywine | 734 | 240 | 240 | 0 | 32.7% | 152 | 0 | 0 | 0 | 88 | 0 |
| Wilmington | 4,308 | 1,121 | 389 | 732 | 26.0% | 239 | 732 | 0 | 0 | 150 | 0 |
| Lower Christiana | 202 | 198 | 198 | 0 | 98.0% | 0 | 0 | 0 | 0 | 198 | 0 |
| Greater Newark | 998 | 341 | 176 | 165 | 34.2% | 100 | 165 | 0 | 0 | 76 | 0 |
| Pike Creek/ Central Kirkwood | 236 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0 | 0 |
| Upper Christiana | 14 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0 | 0 |
| Piedmont | 8 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0 | 0 |
| Central Pencader | 9 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0 | 0 |
| Middletown/ Odessa | 296 | 151 | 151 | 0 | 51.0% | 0 | 0 | 0 | 0 | 151 | 0 |
| New Castle | 798 | 166 | 166 | 0 | 20.8% | 0 | 0 | 0 | 0 | 166 | 0 |
| Red Lion | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0 | 0 |
| **County Total** | 7,603 | 2,217 | 1,320 | 897 | 29.1% | 491 | 897 | 0 | 0 | 829 | 0 |
| | | | | | | | | | | | |
| ***Kent County*** | | | | | | | | | | | |
| Kenton | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0 | 0 |
| Smyrna | 328 | 192 | 192 | 0 | 58.5% | 0 | 0 | 0 | 0 | 192 | 0 |
| Dover | 1662 | 586 | 438 | 148 | 35.3% | 45 | 148 | 0 | 0 | 393 | 0 |
| Central Kent | 58 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0 | 0 |
| Felton | 40 | 32 | 32 | 0 | 80.0% | 0 | 0 | 0 | 0 | 32 | 0 |
| Milford North | 584 | 180 | 156 | 24 | 30.8% | 11 | 24 | 0 | 0 | 145 | 0 |
| Harrington | 218 | 120 | 56 | 64 | 55.0% | 0 | 0 | 56 | 0 | 0 | 64 |
| **County Total** | 2,890 | 1110 | 874 | 236 | 38.4% | 56 | 172 | 56 | 0 | 762 | 64 |

| *(Table 5-17 continued)* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total Assisted | Units Potentially Lost To Conversion | | | | Subsidized Units | | | | Income Restricted Units | |
| | | | | | | HUD Section 8 Project Based | | Rural Development | | Low Income Housing Tax Credit | |
| | | Total | Family Units | Elderly | % Total Assisted | Family Units | Elderly | Family Units | Elderly | Family Units | Elderly |
| ***Sussex County*** | | | | | | | | | | | |
| Bridgeville/ Greenwood | 184 | 34 | 0 | 34 | 18.5% | 0 | 0 | 0 | 0 | 0 | 34 |
| Milford South | 154 | 40 | 40 | 0 | 26.0% | 0 | 0 | 40 | 0 | 0 | 0 |
| Milton | 189 | 130 | 32 | 98 | 68.8% | 32 | 50 | 0 | 0 | 0 | 48 |
| Lewes | 473 | 166 | 166 | 0 | 35.1% | 40 | 0 | 0 | 0 | 126 | 0 |
| Millsboro | 411 | 210 | 179 | 31 | 51.1% | 50 | 31 | 55 | 0 | 74 | 0 |
| Selbyville/ Frankford | 129 | 30 | 30 | 0 | 23.3% | 0 | 0 | 30 | 0 | 0 | 0 |
| Georgetown | 375 | 235 | 173 | 62 | 62.7% | 75 | 0 | 48 | 31 | 50 | 31 |
| Seaford | 660 | 105 | 105 | 0 | 15.9% | 0 | 0 | 33 | 0 | 72 | 0 |
| Laurel/ Delmar | 547 | 327 | 295 | 32 | 59.8% | 154 | 0 | 32 | 0 | 109 | 32 |
| **County Total** | 3,122 | 1,277 | 1020 | 257 | 40.9% | 351 | 81 | 238 | 31 | 431 | 145 |
| ***DELAWARE*** | **13,615** | **4,604** | **3,214** | **1,390** | **33.8%** | **898** | **1,150** | **294** | **31** | **2,022** | **209** |

*Source: Delaware State Housing Authority; U.S. Department of Housing and Urban Development; USDA Rural Development*

**2.5 / HOUSING SUPPLY**
**B. RENTAL HOUSING**




- **While the majority of renter units in all three counties are affordable to households with incomes over 80 percent of MFI, far fewer renter units are affordable to households with incomes below 80 percent of MFI. Not even taking availability of units into account, the lowest income households, with incomes below 30 percent of MFI, have very few affordable housing options.**

- **A large percentage – 42.5 percent - of Delaware's renter households pay more than 30 percent of their monthly income for housing. Alarmingly, 97.7 percent of these cost-burdened renter households have low incomes, below 80 percent of MFI. 19,385 renter households in Delaware are cost-burdened and have incomes below $20,000, making their housing situation extremely precarious.**

- **Delaware's housing authorities administer 4,627 Housing Choice Vouchers. The rental housing stock also includes 13,615 rental units assisted with various federal and state programs, or 15.5 percent of the rental stock. This stock, however, requires constant maintenance and preservation. 4,604 assisted rental units could have contracts or financing that maintain their affordability expire from 2008-2012, putting 33.8 percent of Delaware's assisted rental housing stock at risk.**

## C. VACANT HOUSING

### i. Vacant Housing by Type

Table 5-18 presents changes in housing vacancy statistics between 2000 and 2005.

**Table 5-18**
**Change in Vacant Housing by Unit Type – 2000, 2005**

| | Total Vacant Units | Single Family | | Multi-family | | Manufactured Homes and Other | |
|---|---|---|---|---|---|---|---|
| | | Total | % of Total Vacant Units | Total | % of Total Vacant Units | Total | % of Total Vacant Units |
| ***New Castle County*** | | | | | | | |
| 2000 | 10,586 | 5,331 | 50.4% | 5,103 | 48.2% | 152 | 1.4% |
| 2005 | 16,337 | 9,078 | 55.6% | 6,938 | 42.5% | 321 | 2.0% |
| % Change | 54.3% | 70.3% | 10.3% | 36.0% | (11.9%) | 111.2% | 36.8% |
| ***Kent County*** | | | | | | | |
| 2000 | 3,257 | 1,732 | 53.2% | 687 | 21.1% | 838 | 25.7% |
| 2005 | 4,430 | 2,484 | 56.1% | 1314 | 29.7% | 632 | 14.3% |
| % Change | 36.0% | 43.4% | 5.4% | 91.3% | 40.6% | (24.6%) | (44.6%) |
| ***Sussex County*** | | | | | | | |
| 2000 | 30,493 | 16,761 | 55.0% | 4,399 | 14.4% | 9,333 | 30.6% |
| 2005 | 36,465 | 19,413 | 53.2% | 6,991 | 19.2% | 10,061 | 27.6% |
| % Change | 19.6% | 15.8% | (3.1%) | 58.9% | 32.9% | 7.8% | (9.9%) |
| ***DELAWARE*** | | | | | | | |
| **2000** | **44,336** | **23,824** | **53.7%** | **10,189** | **23.0%** | **10,323** | **23.3%** |
| **2005** | **57,232** | **30,975** | **54.1%** | **15,243** | **26.6%** | **11,014** | **19.2%** |
| % Change | 29.1% | 30.0% | 0.7% | 49.6% | 15.9% | 6.7% | (4.1%) |
| ***City of Wilmington*** | | | | | | | |
| 2000 | 3,521 | 2,244 | 63.7% | 1,277 | 36.3% | 0 | 0.0% |
| 2005 | 5,441 | 3,499 | 64.3% | 1,942 | 35.7% | 0 | 0.0% |
| % Change | 54.5% | 55.9% | 0.9% | 52.1% | (1.6%) | 0.0% | 0.0% |

*Source: U.S. Census Bureau, Census 2000, 2005 American Community Survey*

In Subsections A and B above, vacancy rates for owner and rental units were examined. The 2005 ACS reported 57,232 vacant housing units, which was 15.3 percent of the state's housing stock. In 2000, about 13 percent of the housing units were vacant. Among the total vacant units, 30,640, or 53.5 percent, were held for seasonal, recreational, or occasional use. Exclusion of those units from the count reduces the state's vacancy rate to 7.1 percent.

### ii. Vacant Housing by Location

In Part I, Section 2 of the *Housing Needs Assessment*, housing vacancy statistics are presented. To recap, the 2005 ACS reported 57,232 vacant housing units in Delaware. This represented a 15.3 percent vacancy rate among the state's total 374,872 dwellings. In 2000, the vacancy rate among the then total of 343,072 units was approximately 13 percent.

From 2000 to 2005, vacant units increased in all of Delaware's counties as follows:

- In New Castle County, the vacancy rate increased from 5.3 percent to 7.8 percent. Much of the increase is attributable to unoccupied units currently for rent and units classified as "other vacant units," meaning non-seasonal units currently unoccupied and not actively on the market.

- Kent County's 2000 vacancy rate was 6.5 percent. The 2005 vacancy rate was 7.6 percent. The increase is attributable to "other vacant units."

- In Sussex County about one-third of the housing units were counted by the 2000 Census as vacant, of which 83 percent were for seasonal use. As of 2005, the vacancy rate was 34 percent of which 80.5 percent were for seasonal use. The increase in vacant units is again attributable to units classified as "other vacant units."

- The City of Wilmington had 5,441 vacant units or about 17 percent of the City's total housing units. The 2005 ACS does not report how many of the vacant units are for seasonal use. Wilmington's vacant units make-up one-third of the vacant units in New Castle County. From 2000, vacant units in the City increased by 1,920 (54.5 percent) from 3,521. In 2000, the vacancy rate in Wilmington was about 11 percent.

Because the 2005 ACS does not provide data at the CCD level, no comparison of 2000 CCD vacancies can be presented. However, the following summary provides an overview of the vacant housing in 2000.

- One-third (3,521) of the vacant units in New Castle County were in the City of Wilmington.

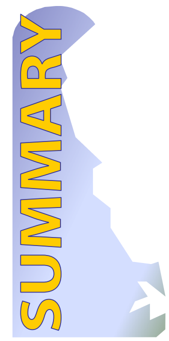
- 55 percent (1,793) of the vacant units in Kent County were in the Dover CCD. About half (844) of the vacant units in the Dover CCD were in the City of Dover.

- About 74 percent (22,460) of the vacant housing units in Sussex County were in the Lewes CCD and the Selbyville/Frankford CCD, which are part of the Coastal Resort Area. The majority of the vacant units in the two CCDs are held for seasonal use.

**2.5 / HOUSING SUPPLY**
**C. VACANT HOUSING**

- **As of 2005, over 50 percent of vacant units in the state are held for seasonal, recreational or occasional use, making the state's vacancy rate 7.1 percent.**

- **In Sussex County, 80.5 percent of vacant units are for seasonal use. Single-family homes make up 54.1 percent of vacant housing statewide. From 2000 to 2005, vacant housing increased in all of Delaware's Counties.**



# 6. HOUSING DEMAND

This section of the *Housing Needs Assessment* describes future demand for housing in Delaware through 2012. Demand for housing, as described by this section, is based on projections of the household growth in income by age in Delaware from 2008 through 2012. Projected housing demand in Delaware through 2012 is presented for owner-occupied and rental housing.

## A. CURRENT TRENDS AFFECTING DEMAND

In order to estimate housing demand and shifts in the rate of homeownership, the following factors are considered: 1) households, which is impacted by trends in their composition and size (husband and wife present in addition to the presence of children, versus single adult with children or single adult with no children), 2) age of the population, and 3) household income.

In subsection 3B further below, household growth projections and forecasted housing demand between 2008 and 2012 are presented. First, however, current context as derived from Census data is reviewed. In addition to the DPC numbers and primary data from Easy Analytics, Inc., U.S. Census Bureau data (either from the 2000 Census or the 2005 American Community Survey) were used for benchmarks. The following points summarize existing numbers and projections through 2015. This information sets the stage for household growth and housing demand projections presented in the subsequent narrative.

### i. Households Trends

The 2005 American Community Survey reported that, statewide, there were 317,640 households. Projections indicate that through 2012 there will be a greater percentage increase in households than in persons.

As noted in the demographic trends contained in Part I of this *Housing Needs Assessment*, the trend toward smaller households is a reflection of the changing composition of households resulting from deferred age of first marriage, single-parent families, and increased divorce rates. (Overall, two-parent family households own their homes at a greater rate than do single-parent households.)

Delaware's population is projected to increase by 19 percent from 783,600 in 2000 to 939,185 in 2015. From 2000 to 2015, the number of households in Delaware is projected to increase by over 23 percent from 298,755 in 2000 to 367,590 in 2015.

The projections show that Kent and Sussex Counties will add the most households by 2012, growing by 8,758 and 9,661 households respectively. Both counties will add households at more than two-times the number of New Castle County, which will add 3,986. Central Kent County around the

City of Dover, and southeastern Sussex County contain the CCDs with the greatest growth in households. The CCDs experiencing decline are in northeast New Castle County, around the City of Newark, and southeast New Castle County.

### ii. Age Distribution Trends

By 2015, there will be a decrease among persons age 35 to 49. This age group consists of move-up buyers moving from their first home to a larger more expensive unit.

The “Echo Boom” generation (i.e., the children of the Post-War “Baby Boom” generation who were born between 1977 and 1994) will be moving into their 20s and 30s during this time period. While those age 19 and under will increase, their rate of growth will decrease after 2010. The percent of young adults age 20 to 34 will increase most rapidly up to 2010. This age group is closely associated with new household formation as will be evidenced in the demand projections.

There will be a marked increase among adults age 50 to 64, but the percent increase declines after 2010. This age group consists of move-up buyers, including some who move to age restricted retirement communities. Householders in this state of life also support home renovation as they fix-up homes they have owned for a long-time, often using the equity built-up over time.

There will be consistently large increases in the elderly, including persons age 65 to 74 and those age 75 and over. The elderly who are able to live independently will also support the rental market as some will prefer to rent than remain in owner units that require maintenance.

### iii. Race and Ethnicity Trends

In 2005, 73.6 percent of Delaware’s population was white, 19.9 percent was black, and the remaining 6.5 percent of residents consisted of nonwhites, including Asians. (“Hispanic” is often mistaken as a racial designation rather than an ethnic group. Persons of Hispanic origin are not included as a separate group in the projections prepared by the DPC).

The DPC projects, that as of 2015, the white populations will comprise 73.9 percent, the black population 22.3 percent, and the remaining minority population will drop to 3.8 percent of Delaware’s total population.

In New Castle County in 2005, 70.8 percent of the population was white, and 22.3 percent was black. By 2015, 70.6 percent of the population will be white, and 24.7 percent will be black. The DPC projects that virtually all of the increase in the black population will be in the suburbs. The black population of the City of Wilmington is anticipated to increase only slightly.

The group including all other races (including Asians) will decline in percentage of the total population from 6.9 percent to 4.7 percent.

In Kent County in 2005, 73.4 percent of the population was white and 19.8 percent was black. By 2015, 73.5 percent will be white and 23.7 percent will be black. As in New Castle, the group including all other races (including Asians) will decline in percentage of the total population from 6.8 percent to 2.8 percent.

In Sussex County in 2005, 81.6 percent of the population was white and 13.1 percent was black. By 2015, 82.8 percent will be white and 14.6 percent will be black. As above, the group including all other races (including Asians) will decline in percentage of the total population from 5.3 percent to 2.6 percent.

### iv. Income Trends

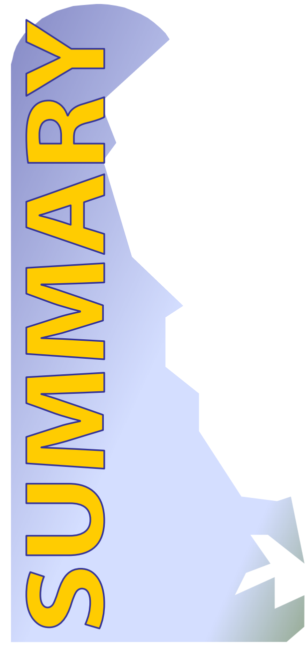
As reported in Part I of the *Housing Needs Assessment*, the long-term trend in Delaware has been a high participation rate among Delaware's labor force. There have also been significant increases in labor force participation among women in the state. As labor force participation in Delaware has increased and the proportion of people in a household working increased, median income in Delaware has grown. Part I also reports that, while Delaware's economy has diversified over the past two decades and is positioned for economic growth, many of the faster growing industrial divisions are ones that pay lower wages.

Typically income rises with age. As noted above with the discussion of age distribution, since much of the population in Delaware is getting older and approaching its peak earning years, it would be expected that household incomes will continue to rise.

In general, a greater percentage of households with higher incomes are homeowners. Increases in the upper and middle income ranges will support increasing homeownership rates. Income projections through 2012 support a strong rate of homeownership in Delaware.

## 2.6 / HOUSING DEMAND

### A. CURRENT TRENDS




- **Housing and homeownership demand are strongly influenced by household growth, household composition and size, age and race of the population and household income. Population projections through 2012 indicate a greater percentage increase in households than in persons for all three counties, reflecting the long-term trend towards smaller households.**

- **Smaller and single parent households and consistently large increases in the population over 65 may dampen demand for owner-occupied housing. The children of the Baby Boom generation will be forming households as they enter their 20s and 30s. But there will also be an overall decrease in the population aged 35 to 49, prime move-up buyers.**

- **Through 2012, general race composition of Delaware's population is projected to shift slightly, with small increases in the black population in all three counties and declines in the Census category which includes all other races.**

- **Much of Delaware's population is approaching its peak earning years, and investments in attracting higher-wage industries and economic growth to the state will likely result in continued strong household incomes. Increases in the upper and middle income ranges will likely support homeownership demand and a strong homeownership rate in Delaware.**

## B. Growth Projections

In its scope, this *Housing Needs Assessment* is considering the five-year period from 2008 through 2012. More specifically, it examines how the growth of households within that time period will impact demand for affordable housing.

The previous *Statewide Housing Needs Assessment (2003-2007)* projected a growth in statewide households of close to 28,000 by 2007. Sussex County was projected to lead growth, adding nearly 13,000 households, followed by New Castle at close to 11,000; and Kent at just under 4,000.

The projections for 2012 indicate a slowing in new household formation statewide, but an increase at the county level for Kent County. Using the household by age and household by income data developed by *Easy Analytic, Inc.,* the *Housing Needs Assessment* estimates that there will be 22,405 new households in the state by 2012. Kent and Sussex counties will add the most households, growing by 8,758 and 9,661 households respectively. Both Counties will add households at more than two-times the number added in New Castle County, which is projected to add 3,986 households.

### ABOUT THE METHODOLOGY

As was explained at the outset of Part 2, the population research firm *Easy Analytic, Inc,* was contracted to calculate projected household growth by age and by income by Census County Division (CCD) from 2006 to 2012. The map in Section 2 shows the location of Delaware's CCDs and major municipalities.

The projections prepared by *Easy Analytic, Inc.,* were compared to the projections and trends prepared by the Delaware Population Consortium (DPC) to ensure that data was comparable to the trends noted by the DPC in its October 2006 population study.

*Mullin and Lonergan Associates, Inc.* used the Easy Analytic projections to then forecast the demand for housing that will result from new household formation by 2012.

In all instances, we have attempted to correlate specific age and income categories with the available age and income stratification provided by the U.S. Census Bureau. The data, however, has been interpolated when necessary in order to account for potential mismatch of corresponding categories within the *Housing Needs Assessment* as compared to Census Bureau categories.

Every effort has been made to account for the accuracy of the demand projections; however, it is impossible to predict future economic and real estate conditions within the fluctuating marketplace. Any changes in housing markets, the housing industry, or housing policy could have a significant effect on new household formation and rates of owning versus renting statewide or in a given local area.

The projected <u>new</u> household demand for homeownership and renter housing is based upon the new household growth numbers referenced above. Therefore, new demand is also projected to be less between 2008 and 2012 than it was in the previous five-year period.

***A decrease in new household growth and demand does not negate the fact that substantial demand remains within the existing market for affordable single family and multifamily dwellings. For example, as will be explained further below, there is minimal new renter demand projected, however there are more than 19,000 existing renter households considered to be "At-Risk" and over 8,000 assisted rental units in Delaware which will be 20 years or older by 2012.***[*]

**HOUSEHOLD GROWTH PROJECTIONS 2008 - 2012**

*5 yr household growth…*

| | |
|---|---|
| **DELAWARE:** | +22,405 |
| Total 2012 Households: | 355,928 |
| **New Castle County:** | +3,986 |
| Total 2012: | 210,512 |
| **Kent County:** | +8,758 |
| Total 2012: | 62,755 |
| **Sussex County:** | +9,661 |
| Total 2012: | 82,661 |

Source: Mullin & Lonergan Associates, EasyAnalytic, Inc.

The existing "At-Risk" households and aging rental housing stock data indicate demand for deep rental subsidies for and expanded efforts to avoid the potential loss of existing affordable units via loss of subsidies and/or disrepair.

Total household growth in Delaware for 2012 represents projected gross *new* demand. In the discussion that follows for the remainder of Part II Section 3, the potential needs of homeowners versus renters based on age and income characteristics are further defined.

Table 6-1 shows the projected total new households in Delaware from 2006 to 2012 representing new housing demand. Each county is broken into its constituent County Census Divisions (CCDs). In addition to considering each county's household growth, the scope of the demand projections include forecasts for the cities of Wilmington, Newark, Dover, and the Town of Georgetown. Wilmington, the largest city in the state, comprises its own CCD. Therefore, the Wilmington total is listed among the other CCDs of New Castle County. The other three jurisdictions are part of larger CCDs. They are counted within each county total but also shown separately afterward for ease of reference.

[*] "At-Risk" households are those current low-income renter households in Delaware in need of housing assistance. The households are cost-burdened, largely because they have low household incomes. Some may be housed in sub-standard units. However, those at greatest risk are extremely low-income households (earning below 30 percent of MFI) for whom there are fewer housing units across the state within their affordability level.

**Table 6-1**
**Projected Household Change – 2006 to 2012**

| | 2006 Households | Household Growth | 2012 Households |
|---|---|---|---|
| ***New Castle County*** | | | |
| Brandywine | 32,316 | 387 | 32,703 |
| Wilmington | 29,987 | 1,062 | 31,049 |
| Central Pencader | 14,795 | 535 | 15,330 |
| Greater Newark (includes city of Newark shown below) | 25,034 | (20) | 25,014 |
| Lower Christiana | 14,912 | 479 | 15,391 |
| Middletown/Odessa | 12,319 | 959 | 13,278 |
| New Castle | 33,849 | 65 | 33,914 |
| Piedmont | 11,753 | (310) | 11,443 |
| Pike Creek/Central Kirkwood | 18,641 | 561 | 19,202 |
| Red Lion | 2,354 | (100) | 2,254 |
| Upper Christiana | 10,566 | 368 | 10,934 |
| **County Total** | **206,526** | **3,986** | **210,512** |
| City of Newark | 9,943 | (252) | 9,691 |
| ***Kent County*** | | | |
| Kenton | 2,192 | 481 | 2,673 |
| Smyrna | 5,867 | 823 | 6,690 |
| Dover (includes city of Dover shown below) | 28,110 | 3,889 | 31,999 |
| Central Kent | 7003 | 2,012 | 9,015 |
| Milford North | 3,934 | 733 | 4,667 |
| Felton | 2,459 | 226 | 2,685 |
| Harrington | 4,432 | 594 | 5,026 |
| **County Total** | **53,997** | **8,758** | **62,755** |
| City of Dover | 14,108 | 1,953 | 16,061 |
| ***Sussex County*** | | | |
| Milford South | 6,857 | 893 | 7,750 |
| Bridgeville/Greenwood | 3,977 | 539 | 4,516 |
| Seaford | 9,394 | 551 | 9,945 |
| Georgetown (includes town of Georgetown shown below) | 3,405 | 845 | 4,250 |
| Millsboro | 10,021 | 1,431 | 11,452 |
| Milton | 5,034 | 813 | 5,847 |
| Lewes | 12,186 | 996 | 13,182 |
| Selbyville/Frankford | 13,334 | 2,605 | 15,939 |
| Laurel/Delmar | 8,792 | 988 | 9,780 |
| **County Total** | **73,000** | **9,661** | **82,661** |
| Town of Georgetown | 1,489 | 354 | 1,843 |
| **DELAWARE** | **333,523** | **22,405** | **355,928** |

*Source: Mullin and Lonergan Associates, Inc., Delaware Population Consortium, Easy Analytic, Inc*
** Numbers in parentheses indicate negative numbers.*

### i. Households by Income

Statewide, with few exceptions, households with salaries in the lower ranges (below $25,000 per year) will decline in number by 2012. This reflects the steady increase in wages and salaries and the aging population. The time period in question will include those years when the baby boom generation moves into its peak earning years and when their children (sometimes referred to as the “echo” boom generation) move upward in gainful employment.

- In New Castle County, the total number of households will increase by 3,986 from 2006 to 2012. The increases are projected to occur in the two highest annual income brackets of $75,000 to $99,999 and $100,000 and over. In Wilmington, the number of households with the annual income between $50,000 and $74,999 is also expected to increase. With the above exception of Wilmington, there will be a net decrease in households earning less than $75,000 throughout the county.

- In Kent County, the number of households will increase by 8,758 from 2006 to 2012. Again, the greatest increase in households will be among those earning $75,000 or more per year. The Dover CCD will lead the other county subdivisions in growth among these households. Unlike New Castle County, there will be growth in households earning between $25,000 and $34,999 per year and between $50,000 and $75,000.

- In Sussex County, the number of households will increase by 9,661 from 2006 to 2012. Like the counties to the north, the greatest increase in households will be among those earning $75,000 or more per year. Additionally, there will be a sizable increase in households earning between $50,000 and $74,999. Slight increases may occur among lower middle income households in the central subdivisions of the county.

Table 6-2 provides a review of the change in the number of households in Delaware through 2012. The information is shown by CCD with the cities (other than Wilmington) shown after the county totals.

**Table 6-2**
**Projected Change in Households by Household Income - 2006 to 2012**

| | TOTAL | Number of Households Per Household Income Range | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Less than 15,000 | $15,000-24,999 | $25,000-34,999 | $35,000-49,999 | $50,000-74,999 | $75,000-99,999 | $100,000 and over |
| **New Castle County 2012 Households** | **210,512** | 15,242 | 11,906 | 15,013 | 24,165 | 38,332 | 39,288 | 66,566 |
| | *Change from 2006* | | | | | | | |
| Brandywine | *387* | *(469)* | *(1,007)* | *(696)* | *(925)* | *(1,050)* | *1,567* | *2,967* |
| Wilmington | *1,062* | *(1,131)* | *(572)* | *(623)* | *(322)* | *705* | *1,358* | *1,647* |
| Central Pencader | *535* | *(74)* | *(424)* | *(376)* | *(644)* | *(280)* | *261* | *2,072* |
| Greater Newark | *(20)* | *(593)* | *(631)* | *(522)* | *(883)* | *(699)* | *892* | *2,416* |
| Lower Christiana | *479* | *(322)* | *(615)* | *(404)* | *(313)* | *(109)* | *1,031* | *1,211* |
| Middletown/ Odessa | *959* | *(144)* | *(246)* | *(153)* | *(399)* | *(579)* | *391* | *2,089* |
| New Castle | *65* | *(678)* | *(1,185)* | *(1,046)* | *(1,120)* | *(984)* | *2,134* | *2,944* |
| Piedmont | *(310)* | *(85)* | *(125)* | *(197)* | *(239)* | *(391)* | *(280)* | *1,007* |
| Pike Creek/ Cntrl Krkwd | *561* | *(223)* | *(466)* | *(540)* | *(904)* | *(544)* | *984* | *2,254* |
| Red Lion | *(100)* | *(33)* | *(84)* | *(68)* | *(46)* | *(123)* | *(3)* | *257* |
| Upper Christiana | *368* | *(106)* | *(331)* | *(391)* | *(318)* | *(352)* | *401* | *1,465* |
| **Total County Change** | 3,986 | (3,858) | (5,686) | (5,016) | (6,113) | (4,406) | 8,736 | 20,329 |
| Newark, city | *(252)* | *(476)* | *(242)* | *(203)* | *(342)* | *(271)* | *347* | *935* |
| **Kent County 2012 Households** | **62,755** | 6,277 | 4,548 | 7,197 | 8,734 | 12,177 | 12,779 | 11,043 |
| | *Change from 2006* | | | | | | | |
| Kenton | *481* | *(11)* | *(42)* | *(4)* | *40* | *(5)* | *273* | *230* |
| Smyrna | *823* | *(77)* | *(117)* | *27* | *12* | *70* | *494* | *414* |
| Dover | *3,889* | *(314)* | *(744)* | *511* | *(332)* | *150* | *2,742* | *1,876* |
| Central Kent | *2,012* | *10* | *(99)* | *232* | *(113)* | *409* | *985* | *588* |
| Milfrd Nrth | *733* | *(43)* | *(96)* | *71* | *106* | *67* | *434* | *194* |
| Felton | *226* | *(28)* | *(68)* | *(27)* | *(115)* | *79* | *254* | *131* |
| Harrington | *594* | *(74)* | *(86)* | *50* | *(78)* | *58* | *494* | *230* |
| **Total County Change** | 8,758 | (537) | (1,252) | 860 | (480) | 828 | 5,676 | 3,663 |
| Dover, city | *1,953* | *(157)* | *(375)* | *256* | *(166)* | *75* | *1,378* | *942* |

| | TOTAL | Number of Households Per Household Income Range | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Less than 15,000 | $15,000-24,999 | $25,000-34,999 | $35,000-49,999 | $50,000-74,999 | $75,000-99,999 | $100,000 and over |
| **Sussex County 2012 Households** | **82,661** | 9,016 | 6,761 | 8,833 | 12,444 | 16,884 | 15,307 | 13,416 |
| | *Change from 2006* | | | | | | | |
| Milford South | *893* | *(88)* | *(246)* | *(1)* | *(94)* | *3* | *900* | *419* |
| Bridgeville/ Greenwood | *539* | *(71)* | *(102)* | *(98)* | *43* | *149* | *368* | *250* |
| Seaford | *551* | *(250)* | *(210)* | *(146)* | *(115)* | *163* | *660* | *449* |
| Georgetown | *845* | *(6)* | *(75)* | *38* | *45* | *70* | *513* | *260* |
| Millsboro | *1,431* | *(170)* | *(272)* | *(220)* | *45* | *614* | *914* | *520* |
| Milton | *813* | *(49)* | *5* | *(219)* | *69* | *144* | *517* | *346* |
| Lewes | *996* | *(196)* | *(440)* | *(101)* | *(290)* | *95* | *1,141* | *787* |
| Selbyville/ Frankford | *2,605* | *(104)* | *(449)* | *94* | *(17)* | *360* | *1,523* | *1,198* |
| Laurel/ Delmar | *988* | *(150)* | *(161)* | *(114)* | *(257)* | *354* | *698* | *618* |
| **Total County Change** | 9,661 | (1,084) | (1,950) | (767) | (571) | 1,952 | 7,234 | 4,847 |
| Town of Georgetown | *354* | *(3)* | *(33)* | *18* | *18* | *31* | *223* | *113* |
| **State of Delaware 2012 Households** | **355,928** | 30,535 | 23,215 | 31,043 | 45,343 | 67,393 | 67,374 | 91,025 |
| | *Change from 2006* | | | | | | | |
| | *22,405* | *(5,479)* | *(8,888)* | *(4,923)* | *(7,164)* | *(1,626)* | *21,646* | *28,839* |

*Source: Mullin and Lonergan Associates, Inc., Easy Analytic, Inc.*
**Numbers in parentheses represent negative numbers.*

### ii. Households by Age

Age relates directly to household formation and tenure. Most new household formations occur among persons age 25 to 34 years old. In general, homeownership rises most sharply for persons age 35 to 44. As noted previously, the population of persons age 45 to 64 in Delaware is projected to increase, and the population of persons age 25 to 44 is projected to decrease. The number of persons age 25 to 44 years old is projected to be smaller than the Baby Boom generation preceding it, of which the youngest members will be nearing age 50 and the oldest age 60 by 2012.

Household formation is expected to outpace population growth due to various social factors (deferred age of first marriage, increased divorce rates, and longer life expectancy). Thus, it is possible that age cohorts that may not be growing in number (e.g., those under age 35) might comprise more households than in previous periods. This is particularly true when one considers that the large Baby Boom cohort has already completed household formation. Again, their children, who form a large population bubble unto themselves, will be in their twenties and thirties over the next decade and are likely to lead household formation.

- In New Castle County, the most significant increase in households from 2006 to 2012 is expected among those wherein the head-of-household is aged 25 to 44. The increase is about 69 percent of the roughly 4,000 additional households projected for the County through 2012. Households in this group are the primary market of first-time homebuyers. The youngest cohort will experience a decline in households throughout the county; these are practically the only declines projected for the state. Meanwhile, households above retirement age will increase by approximately 16 percent.

- In Kent County, there will be growth in the number of households at all age ranges between 2006 and 2012. Nearly 61 percent of new household growth will occur among young adult and adult households. The fastest growth will be among heads-of-household aged 35 to 44. The 44 to 54 set follows second, and the 25-34 cohort is a close third.

- In Sussex County, there will be significant numbers of new households formed across all age groups, except those under 25. From 2006 to 2012, it is projected that the highest growth will be among households aged between 35 and 44, followed closely by households aged between 55 and 64. Household formation among households age 65 years old and over is projected to be particularly strong in Sussex County through 2012, stronger than in the other two counties. By 2012, it is projected that there will be over 2,800 new households in the retirement cohort, which is nearly 30 percent of the new households projected in the County from 2006 to 2012.

Table 6-3 shows the change in households by age of householder in Delaware from 2006 to 2012. The information is shown by County CCD with the cities other than Wilmington shown after the county totals.

**Table 6-3**
**Projected Change in Households by Age of Householder - 2006 to 2012**

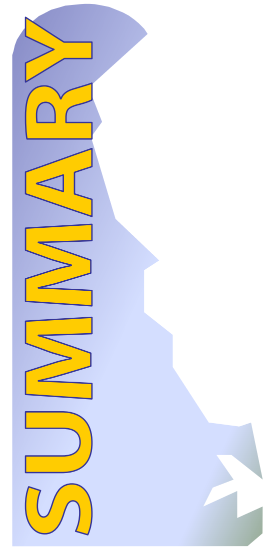
| | TOTAL | Number of Households By Householder Age Range | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 15 to 24 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 | 75 and over |
| **New Castle County 2012 Households** | **210,512** | 11,620 | 34,956 | 52,419 | 47,064 | 27,237 | 18,988 | 18,228 |
| | ***Change from 2006*** | | | | | | | |
| Brandywine | *387* | *(48)* | *157* | *138* | *(91)* | *124* | *105* | *2* |
| Wilmington | *1,062* | *(54)* | *237* | *285* | *73* | *241* | *125* | *155* |
| Central Pencader | *535* | *(21)* | *208* | *207* | *34* | *67* | *27* | *13* |
| Greater Newark | *(20)* | *(144)* | *38* | *22* | *(77)* | *81* | *10* | *50* |
| Lower Christiana | *479* | *(22)* | *101* | *144* | *96* | *74* | *69* | *17* |
| Middletown/ Odessa | *959* | *(3)* | *169* | *379* | *226* | *136* | *40* | *12* |
| New Castle | *65* | *(121)* | *97* | *71* | *(91)* | *140* | *19* | *(50)* |
| Piedmont | *(310)* | *(13)* | *(2)* | *(69)* | *(158)* | *(33)* | *(16)* | *(19)* |
| Pike Creek/ Central Kirkwood | *561* | *(5)* | *113* | *206* | *93* | *87* | *70* | *(3)* |
| Red Lion | *(100)* | *(11)* | *(9)* | *(28)* | *(34)* | *(7)* | *(9)* | *(2)* |
| Upper Christiana | *368* | *(44)* | *84* | *171* | *89* | *52* | *12* | *4* |
| **Total County Change** | 3,986 | (486) | 1,193 | 1,526 | 160 | 962 | 452 | 179 |
| Newark, city | *(252)* | *(305)* | *14* | *10* | *(30)* | *33* | *5* | *21* |
| **Kent County 2012 Households** | **62,755** | 4,158 | 9,859 | 15,332 | 13,193 | 8,567 | 6,466 | 5,180 |
| | ***Change from 2006*** | | | | | | | |
| Kenton | *481* | *14* | *71* | *138* | *96* | *87* | *50* | *25* |
| Smyrna | *823* | *31* | *136* | *218* | *148* | *108* | *104* | *78* |
| Dover | *3,889* | *204* | *730* | *943* | *699* | *567* | *409* | *337* |
| Central Kent | *2,012* | *82* | *297* | *571* | *398* | *329* | *217* | *118* |
| Milford North | *733* | *28* | *109* | *168* | *115* | *112* | *100* | *101* |
| Felton | *226* | *2* | *35* | *61* | *44* | *39* | *26* | *19* |
| Harrington | *594* | *9* | *101* | *136* | *114* | *95* | *73* | *66* |
| **Total County Change** | 8,758 | 370 | 1,479 | 2,235 | 1,614 | 1,337 | 979 | 744 |
| Dover, city | *1953* | *103* | *366* | *473* | *353* | *283* | *207* | *168* |

| | TOTAL | Number of Households By Householder Age Range | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 15 to 24 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 | 75 and over |
| **Sussex County 2012 Households** | **82,661** | 3,049 | 8,846 | 16,425 | 16,901 | 14,350 | 13,124 | 9,966 |
| | ***Change from 2006*** | | | | | | | |
| Milford South | *893* | *24* | *105* | *250* | *164* | *137* | *120* | *93* |
| Bridgeville/ Greenwood | *539* | *13* | *83* | *128* | *105* | *86* | *66* | *58* |
| Seaford | *551* | *(2)* | *89* | *135* | *84* | *84* | *83* | *78* |
| Georgetown | *845* | *31* | *118* | *177* | *191* | *166* | *84* | *78* |
| Millsboro | *1,431* | *24* | *157* | *267* | *233* | *280* | *288* | *182* |
| Milton | *813* | *12* | *97* | *178* | *148* | *135* | *146* | *97* |
| Lewes | *996* | *9* | *97* | *176* | *141* | *208* | *204* | *161* |
| Selbyville/ Frankford | *2,605* | *37* | *219* | *463* | *391* | *635* | *552* | *308* |
| Laurel/ Delmar | *988* | *32* | *154* | *235* | *159* | *164* | *135* | *109* |
| **Total County Change** | 9,661 | 180 | 1,119 | 2,009 | 1,616 | 1,895 | 1,678 | 1,164 |
| Town of Georgetown | *354* | *12* | *52* | *78* | *83* | *72* | *36* | *34* |
| **State of Delaware 2012 Households** | **355,928** | 18,827 | 53,661 | 84,176 | 77,158 | 50,154 | 38,578 | 33,374 |
| | ***Change from 2006*** | | | | | | | |
| | *22,405* | *64* | *3,791* | *5,770* | *3,390* | *4,194* | *3,109* | *2,087* |

*Source: Mullin and Lonergan Associates, Inc., Easy Analytics, Inc*
**Numbers in parentheses represent negative numbers.*

.

**2.6 / housing demand**
**B. GROWTH PROJECTIONS**




- **22,405 new households are projected to form in Delaware between 2008 and 2012. As the Baby Boom generation is in its peak earning years and their children form households and enter employment, incomes will remain strong.**

- **Statewide, much of new household growth is projected to be in higher annual income brackets (over $75,000 annual income). Households with incomes between $50,000 and $75,000 are projected to have moderate increases in all three counties. Households with incomes below $25,000 are expected to decline in number statewide by 2012.**

- **Overall growth in population but trends toward smaller households size yield a faster rate of household growth. Echo Boomers (children of Baby Boomers) will lead household formation. There will also be continued strong increases in older households, particularly in Sussex County.**

## C. HOMEOWNERSHIP DEMAND – 2008 - 2012

This section of the *Housing Needs Assessment* provides a review of homeownership needs. This section includes an evaluation of homeownership needs by various markets, the make-up of the sales housing market regarding stick built new construction and manufactured housing, and a discussion of the segments of the housing market that are inadequately served.

### i. Homeownership Needs for First-time Homebuyers, Move-up Homebuyers and Households Migrating to the State

The need for homeowner units in Delaware is a function of the growth in the number of households due to natural increase and in-migration. Homeownership need is also affected by the number of households moving between homes within the state during the year. The need for homeowner housing is augmented by the need to replace units lost to demolition in Delaware during the year.

The 2005 American Community Survey reported that over 72 percent of all households in Delaware owned the unit in which they lived. This ownership rate was higher than the nationwide rate of 67 percent in 2005. In consideration of the above listed trends regarding households and their composition and size, age of the population, race of the population, and income, it is anticipated that Delaware's overall rate of homeownership will continue to increase. It is anticipated that the rate of homeownership in Delaware by 2012 will be 73.3 percent.

In combination, however, with the already high rate of homeownership in the state and recent fluctuations in mortgage interest rates, it is projected that the rate of increase in homeownership in Delaware over the next five years will not be as fast as in previous decades, nor will it be even from county to county or city to city. Reviewing homeownership data going back to 1990, this study projects specified gains and losses in homeownership rates as presented in Table 6-4 below.

- Demand for homeownership in the *Housing Needs Assessment* was estimated by different household types based on past trends and projections. The homeownership rate for each age group was projected for the purposes of the overall demand projections.

**Table 6-4**
**Past and Projected Homeownership Rates**

| | 1990 Homeownership Rate (%) | 2000 Homeownership Rate (%) | 2005 Homeownership Rate (%) | *Projected* 2012 Homeownership Rate (%) |
|---|---|---|---|---|
| **New Castle County** | 68.3 | 70.1 | 70.0 | 70.8 |
| City of Wilmington | 53.2 | 50.1 | 49.1 | 47.3 |
| City of Newark | 56.3 | 54.5 | n/a | 53.2 |
| **Kent County** | 69.2 | 69.9 | 73.4 | 75.4 |
| City of Dover | 53.9 | 52.3 | n/a | 51.2 |
| **Sussex County** | 78.6 | 80.7 | 78.0 | 77.8 |
| Town of Georgetown | 61.2 | 50.0 | n/a | 42.1 |
| **DELAWARE** | **70.2** | **72.3** | **72.4** | **73.3** |

*Source: U.S. Census Bureau; Mullin & Lonergan Associates*

To forecast the types of households that will be in the market in Delaware as homebuyers, the following types of households were differentiated:

- **Low Income homebuyers** are householders with an annual income of under $25,000. Low Income homebuyers are seeking the lowest price homes and include all age groups up to age 65. [NOTE: no additional demand is projected as a result of household growth within this income group.] Per the underwriting assumptions explained in Table 4-1 presented earlier in Part 2, the qualifying mortgage amount for a household making $25,000 is $58,870.

- **First-time homebuyers** are generally younger households consisting of those age 25 to 44 years old. First-time homebuyers have annual incomes from $25,000 to 115 percent of the HUD area median family income (MFI) for 2007. The income range of First-time homebuyers is reflected in DSHA's First-time Homebuyer Program. Using census data, the rate of homeownership for households age 25 to 44 years old was calculated to determine the First-time homebuyer demand for each county, the three cities, and the Town of Georgetown. Per Table 4-1 and the related assumptions presented earlier in Part 2, households in this income range today would qualify for mortgages up to the amounts presented as follows:
  - New Castle County - $58,870 to $245,608;
  - Kent County - $58,870 to $197,295;
  - Sussex County - $58,870 to $178,944.

- **Affordable homebuyers** are those who generally do not fit the profile of First-time Homebuyers due to age. For this study, affordable homebuyers are households age 45 to 64 years old seeking units in the same price range as the First-time homebuyers. Using census data, the rate of homeownership for households age 45 to 64 years old was calculated to determine affordable homebuyer demand for each county, the three cities, and the Town of Georgetown. Per Table 4-1 and the related assumptions presented earlier in Part 2, households in this income range today would qualify for mortgages up to the amounts presented as follows:

  - New Castle County – $58,870 to $245,608;
  - Kent County – $58,870 to $197,295;
  - Sussex County – $58,870 to $178,944.

- **Move-up homebuyers** are households relocating from existing homes and from out of state. Move-up homebuyers have annual incomes over 115 percent of the area MFI up to $125,000 and are looking to move into larger homes. Young professionals purchasing their first home may also be Move-up homebuyers, but the housing is more expensive than a typical starter home. Move-up homebuyers were considered in all age brackets from 25 to 64 years old. Using census data, the rate of homeownership by age group was calculated to determine move-up homebuyer demand for each county, the three cities, and the Town of Georgetown. Per Table 4-1 and the related assumptions presented earlier in Part 2, households in this income range today would qualify for mortgages up to the amounts presented as follows:
  - New Castle County – $245,608 to $384,537.
  - Kent County – $197,295 to $384,537.
  - Sussex County – $178,99 to $384,537.

- **Elderly homebuyers** are households age 65 and over with annual incomes up to $125,000. Elderly homebuyers are seeking housing alternatives in order to reduce the size of their dwelling, reduce maintenance on a dwelling, or to move closer to family. The Elderly homebuyers are projected to be a growing segment of the population in Delaware. Homeownership rates for older households in Delaware were calculated to determine Elderly homebuyer demand. Per Table 4-1 and the related assumptions presented earlier in Part 2, using the 2007 area MFIs for Delaware counties, households in this income range today would qualify for mortgages up to $384,537.

- **High income homebuyers** encompass households with annual incomes in excess of $125,000 and include households at any age who may be seeking the most expensive homes.

Table 6-5 below shows the net homeownership demand in Delaware and by county from 2008 to 2012. The table also presents homeownership demand for the City of Wilmington, the City of Newark, the City of Dover, and the Town of Georgetown. (The numbers for the counties do not include the numbers from the respective localities.) The table quantifies the demand for homeowner housing by housing type (i.e., existing homes, new construction, and manufactured homes) and by household type (i.e. First-time, Affordable, Move-up, High Income, and Elderly as described above. *The Low-Income group is not included because no new demand as a result of new household formation was projected.*)

The data reports on the demand for year round housing for the additional households in Delaware from 2008 to 2012. (The table does not include housing that may used as second homes for seasonal use in the state.) It is estimated that, statewide, nearly 70 percent of the total 47,881 unit demand will be absorbed by existing homes. The remainder will be met by new construction or manufactured homes. Combined, the above first-time and affordable homebuyer groups will comprise demand for 6,000 units. An estimated 15 percent of new construction units will need to be affordable to these buyers. It is important to note that the projections for homeownership demand contained in Tables 6-5 are based on current market conditions and could change substantially if there are fluctuations in economic conditions, the real estate market, and mortgage interest rates.

**Table 6-5**
**Delaware Homeownership Demand - 2008 to 2012**

| | TOTAL | Unit Types | | | Household Income Category | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Existing Homes | New Construction | Manufactured Housing | First Time | Affordable | Move-up | High Income | Elderly |
| **New Castle County** | 17,741 | 14,639 | 2,880 | 222 | 0 | 0 | 7,442 | 8,871 | 1,428 |
| City of Wilmington | 1,951 | 1,944 | 7 | 0 | 148 | 101 | 686 | 851 | 165 |
| City of Newark | 694 | 694 | 0 | 0 | 0 | 0 | 280 | 347 | 67 |
| **Kent County** | 11,716 | 6,278 | 5,039 | 399 | 1,871 | 1,203 | 3,583 | 4,320 | 739 |
| City of Dover | 1,013 | 434 | 572 | 7 | 270 | 158 | 396 | 61 | 128 |
| **Sussex County** | 14,627 | 9,384 | 4,886 | 357 | 1,126 | 1,447 | 5,183 | 860 | 6,011 |
| Town of Georgetown | 139 | 137 | 1 | 1 | 8 | 0 | 88 | 26 | 17 |
| **DELAWARE** | **47,881** | **33,510** | **13,385** | **986** | **3,423** | **2,909** | **17,658** | **15,336** | **8,555** |

*Source: Mullin & Lonergan Associates, Inc.*

### ii. Make-up of Sales Housing by Stick-built and Manufactured Housing

Demand for homeownership was estimated for different building types, that is, stick-built versus manufactured housing. The demand for homeownership by building types was based on past trends and projections. To determine the numbers of units by building types, the number of new homes equals the number of new households plus the number needed to compensate for increasing homeownership. Manufactured housing sales comprise a component of the market, which is equal to the number of new manufactured homes titled in 2006 in Delaware and projected out for the five year period. The balance of demand by category is stick-built housing. The transfer of existing homes, both stick built and manufactured housing, constitutes the remainder of home sales anticipated in the market. Based upon share of demand, it is estimated that 15 percent of the new construction units will be needed at first-time and affordable homebuyer price ranges.

**STATEWIDE HOUSING DEMAND FORECASTS 2008 - 2012**

**HOMEOWNER DEMAND**

Existing Homes: 33,510 units
New Construction: 13,385 units
Manufactured Homes: 986 units

Combined first-time and "affordable" homebuyer demand: 6,332 units

Source: Mullin & Lonergan Assoc.

### iii. Benchmarks for Program Accomplishments

The forecast for homeownership demand in Delaware is for approximately 47,881 homes through 2012. The homeownership demand of about 47,881 homes will primarily be met through the sale of existing homes. New housing units to accommodate the demands of the increased population will be needed for about 13,385 households. The make-up of the new homeowner units will include 986 manufactured homes as well as over 33,510 existing homes.

The homeowner housing demand in Delaware will be segmented with buyers at all income levels. Approximately 13 percent of all the projected homeownership demand in Delaware from 2008 through 2012 will be households with incomes within DSHA's Single-Family Mortgage Bond program limits.

- There is no new demand projected from households classified as Low Income homebuyers, which are those with annual incomes under $25,000. The average annual income for DSHA single family mortgage program is $51,000, with a very small percentage of participants earning less than $25,000.

- Approximately 3,423 First-time homebuyer households are projected from new demand for the five year period. First-time homebuyers typically earn between $25,000 and 115 percent of the MFI and are between the ages of 25 and 44.

- A total of 2,909 affordable homebuyer households with annual incomes between $25,000 and 115 percent MFI between the ages of 44 and 64, are projected in Delaware from 2008 through 2012. The Affordable homebuyers will have a wider range of housing available to them than Low Income homebuyers, including existing and new construction homes.

The following is a review of homeowner demand by county.

**a. New Castle County**

In New Castle County, total homeownership demand from 2008 to 2012 is projected to be about 20,386, which includes the City of Wilmington and the City of Newark. It is projected that over 84 percent of the homeownership demand will be addressed through existing units. About 1.2 percent of the homeownership demand, or 249 households, will consist of First-time homebuyers and Affordable homebuyers.

**b. Kent County**

In Kent County, total homeownership demand from 2008 to 2012 is projected to be about 12,729, which includes the City of Dover. Over 52.7 percent of the homeownership demand will be addressed through existing units. About 27.5 percent of the homeownership demand, or 3,502 households, will consist of First-time homebuyers and Affordable homebuyers.

**c. Sussex County**

In Sussex County, total homeownership demand from 2008 to 2012 is projected to be about 14,766, which includes the Town of Georgetown. About 64 percent of the homeownership demand will be addressed through existing units. More than 20 percent of the homeownership demand, or 3,001 households, will consist of First-time homebuyers and Affordable homebuyers. In Sussex County, Elderly homebuyers are projected to be the largest segment of the market through 2012.

### iv. Projected Demand for DSHA Homeowner Programs

Displayed in Table 6-6 are the projected number of First-time homebuyers and Affordable Income homebuyers projected in the state from 2008 to 2012. Based on an analysis of recent DSHA mortgage program activity, we determined DSHA's share of the market for First-time homebuyers and Affordable homebuyers products is sixty-two percent. That share was applied to the projected total demand among these homebuyer groups to forecast DSHA's total activity by 2012.

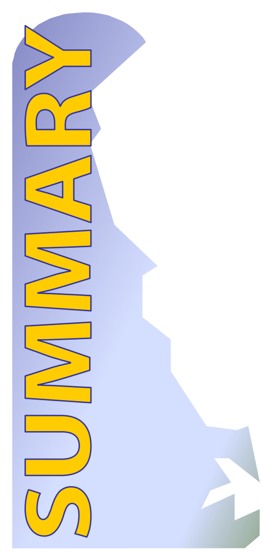
**Table 6-6**
**Projected 5 Year Demand for DSHA Homebuyer Programs**

| | |
|---|---|
| First-time Homebuyers | 3,423 |
| Affordable Homebuyers | 2,909 |
| TOTAL | 6,332 |
| **Projected DSHA ASSISTANCE (62% of total)** | **3,926** |

*Source: Mullin & Lonergan Associates, Inc.*

*NOTE: DSHA Single-family mortgage activity has increased by three times to what "typical" production was in prior years. DSHA Assistance has been projected based upon the average production between the period of 2003-2007. Therefore, the above DSHA assistance may fluctuate considerably based upon market conditions.*

**2.6 / HOUSING DEMAND**
**C. HOMEOWNERSHIP DEMAND**




- **Projections in household growth by income and age have been used to project homeownership demand for new households in Delaware for 2008-2012. Homeownership demand and the homeownership rate in Delaware are expected to remain strong, with the homeownership rate projected to increase to 73.4 percent by 2012.**

- **A net demand for homeownership of 47,881 households is projected, with the majority among categories of Move-Up (incomes of 115 percent of MFI to $125,000) and High Income (income greater than $125,000) buyers. This reflects population and household growth projections which indicate strongest household growth among households in these income ranges.**

- **Demand among first-time home buyers (generally 25 to 44 years old with incomes of $25,000 to 115 percent of MFI) is projected to be 3,423, while affordable buyers (45 to 64 years old with incomes of $25,000 to 115 percent of MFI) have a projected demand of 2,909 units.**

- **This constitutes 6,332 households, or 13 percent, of the total projected demand who will fall within the eligibility guidelines for DSHA's Single Family Mortgage Revenue Bond program. Estimating DSHA's share of this market at 62 percent, it is projected that 3,926 households will be served by DSHA homeownership programs from 2008-2012.**

## D. RENTAL HOUSING DEMAND – 2008 - 2012

This subsection of the *Housing Needs Assessment* addresses current and projected affordable rental housing demand in Delaware. It begins by analyzing existing unmet affordable rental housing needs as evidenced by waiting lists for public housing and Housing Choice Vouchers and cost-burdened renter households with housing problems. The existing need analysis is followed by the forecast of total demand for affordable rental housing according to the type, geographic location, and specific need (e.g. income-restricted, subsidized rent) for units as of 2012.

### i. Existing Rental Housing Needs

#### a. Public Housing & Housing Choice Voucher Waiting Lists

Households waiting for rental assistance through the public housing and Housing Choice Voucher systems represent unmet assisted rental demand. The following points highlight waiting list information for public housing authorities (PHAs) in Delaware.

- The Delaware State Housing Authority owns and manages 518 public housing units in Kent and Sussex Counties. It additionally administers 902 Housing Choice Vouchers. DSHA reports a combined waiting list of 2,116 households for its public housing units and voucher program.
- The New Castle County Housing Authority does not own any public housing units. The agency administers a total of 1,725 Housing Choice Vouchers. There were 823 applicants on the voucher waiting list as of May 2007.
- The Wilmington Housing Authority owns and manages 1,187 total public housing units; as of May 2007, there were 933 applicants on the public housing waiting list. WHA also administers 1,577 Housing Choice Vouchers, for which there were 1,386 applicants on the waiting list.
- The Newark Housing Authority owns and manages 98 total public housing units, for which 174 applicants were awaiting access as of May 2007. The Authority administers 200 Housing Choice Vouchers; 449 applicants were on the waiting list.
- The Dover Housing Authority owns and manages 303 total public housing units and administers 190 Housing Choice Vouchers. Additionally, the Authority administers 30 Special Purpose Housing Choice vouchers. As of May 2007, there were 461 applicants on the waiting list for public housing units and 409 on the list for vouchers.

#### b. Renter Households with Housing Problems

The following presents information regarding renter households in Delaware with housing problems. (Cost-burdened households, owner-and renter-occupied is also examined in Part 3 of the *Housing Needs Assessment* in the Section 10.D, *Cost-burdened Households with Housing Problems.*)

The statistics used for this analysis are taken from HUD's State of the Cities Data System: Comprehensive Housing Affordability Strategy (CHAS) Data 2000. CHAS Data 2000 is a special tabulation prepared for HUD by the Census Bureau. The Census Bureau uses a mathematical rounding mechanism for its CHAS tabulation. As a result, there may be discrepancies between the data reported by CHAS Data 2000 and data reported by Census 2000 used elsewhere in the *Housing Needs Assessment*.

The CHAS groups households by the same income categories presented in Table 4-1 earlier in Part 2 of the *Housing Needs Assessment*. To review, those categories are as follows:

- Extremely low-income households (income less than 30 percent of MFI),
- Very low-income households (income between 30 percent to 50 percent of MFI),
- Low-income households (income between 51 percent to 80 percent of MFI),
- Households with income above 80 percent of MFI are considered moderate, middle, and high income.

The CHAS also reports on households with any housing problem. As defined by CHAS Data 2000, "housing problems" include the following: cost burden, (including households paying from 30 percent to 50 percent of their income and households paying more than 50 percent. Households paying more than 50 percent are classified as "severe cost burden"); and/or overcrowding; and/or lack of complete kitchen or plumbing. CHAS Data 2000 combines overcrowding and/or lack of complete kitchen or plumbing into the category "other housing problems," which excludes cost burden.

By county, a summary of CHAS data for renter households is presented in Table 6-7 below and in the points that follow.

**Table 6-7**
**Renter Households with Housing Problems, CHAS Data - 2000**

| | Total CHAS House-holds | Any Housing Problem | | Cost Burden | | | | Other Housing Problems | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 30%-50% | | More than 50% (Severe) | | | |
| | | Total | % | Total | % | Total | % | Total | % |
| ***New Castle County*** | | | | | | | | | |
| **All Households** | 188,901 | 47,283 | 25.0 | 26,216 | 23.1 | 16,942 | 22.1 | 4,125 | 2.2 |
| **Renter Households** | | | | | | | | | |
| Extremely Low (0-30% MFI) | 12,169 | 8,835 | 72.6 | 1,947 | 16.0 | 6,571 | 54.0 | 317 | 2.6 |
| Very Low (31-50% MFI) | 9,429 | 7,034 | 74.6 | 4,950 | 52.5 | 1,650 | 17.5 | 434 | 4.6 |
| Low (51-80% MFI) | 13,324 | 4,050 | 30.4 | 2,931 | 22.0 | 240 | 1.8 | 879 | 6.6 |
| Above 80% MFI | 21,529 | 2,088 | 9.7 | 538 | 2.5 | 323 | 1.5 | 1,227 | 5.7 |
| **Total Renters** | **56,451** | **22,007** | **39.0** | **10,366** | **18.4** | **8,784** | **15.6** | **2,857** | **5.1** |
| ***Kent County*** | | | | | | | | | |
| **All Households** | 47,126 | 12,351 | 26.2 | 6,681 | 22.8 | 4,703 | 10.0 | 967 | 2.1 |
| **Renter Households** | | | | | | | | | |
| Extremely Low (0-30% MFI) | 2,562 | 1,814 | 70.8 | 323 | 12.6 | 1,432 | 55.9 | 59 | 2.3 |
| Very Low (31-50% MFI) | 2,532 | 1,603 | 63.3 | 965 | 38.1 | 542 | 21.4 | 96 | 3.8 |
| Low (51-80% MFI) | 3,248 | 1,153 | 35.5 | 926 | 28.5 | 88 | 2.7 | 139 | 4.3 |
| Above 80% MFI | 5,791 | 394 | 6.8 | 185 | 3.2 | 6 | 0.1 | 203 | 3.5 |
| **Total Renters** | **14,133** | **4,964** | **35.1** | **2,399** | **17.0** | **2,068** | **14.6** | **497** | **3.5** |
| ***Sussex County*** | | | | | | | | | |
| **All Households** | 62,566 | 15,931 | 25.5 | 8,577 | 13.7 | 5,723 | 9.1 | 1,631 | 2.6 |
| **All Households** | | | | | | | | | |
| Extremely Low (0-30% MFI) | 2,421 | 1,516 | 62.6 | 402 | 16.6 | 1,031 | 42.6 | 83 | 3.4 |
| Very Low (31-50% MFI) | 2,046 | 1,041 | 50.9 | 612 | 29.9 | 346 | 16.9 | 83 | 4.1 |
| Low (51-80% MFI) | 2,619 | 974 | 37.2 | 660 | 25.2 | 71 | 2.7 | 243 | 9.3 |
| Above 80% MFI | 4,949 | 569 | 11.5 | 94 | 1.9 | 25 | 0.5 | 450 | 9.0 |
| **Total Renters** | **12,035** | **4,100** | **34.1** | **1,768** | **14.7** | **1,473** | **12.2** | **859** | **7.1** |

*Source: HUD State of the Cities Data Systems: CHAS Data 2000*

- In New Castle County, of 188,901 households estimated in the CHAS, 25 percent (47,283) had housing problems. About 47 percent of the households with problems (22,007) were renters; over one-third of renter households had housing problems. Extremely low-income and very low-income renters had comparably high rates of households with problems occurring for over 70 percent.
- Among New Castle renters with incomes above 80 percent of MFI, less than 10 percent had housing problems. (Among all households, the major problem is cost burden. Over 90 percent of 47,283 households with problems were cost-burdened; over one-third were severely cost-burdened.) Just over five percent of renter households have other housing problems, including

overcrowding in addition to lack of complete kitchen or plumbing, but excluding cost burden.

- Among New Castle renter households with problems and incomes below 80 percent of MFI, just over eight percent (1,630 households) had problems other than cost burden.
- In Kent County, of 47,126 households estimated in the CHAS, 26 percent (12,351) had housing problems. About 40 percent of all households with housing problems (4,964) were renters; over one-third of renter households had housing problems. Extremely low-income renters had the highest rate, with problems occurring for about 71 percent.
- Among Kent County renters with incomes above 80 percent of MFI, less than 7 percent have housing problems. (Among all income categories, the major problem of households with housing problems is cost burden. Over 92 percent of 12,351 households with problems were cost-burdened; over one-third were severely cost-burdened.) Just over three percent of renter households have housing problems other than cost burden.
- Among Kent renter households with problems and incomes below 80 percent of MFI, just over six percent (294 households) had problems other than cost-burden.
- In Sussex County, of 62,566 CHAS households, almost 26 percent (15,931) had housing problems. Renters make up about 26 percent of all households with housing problems; over one-third of renter households had housing problems. Extremely low-income renters had the highest rate with problems occurring among nearly 63 percent.
- Among renters with incomes above 80 percent of MFI, 11.5 percent had housing problems. (As with the other counties, the major problem of households with housing problems is cost burden. Almost 90 percent of 15,931 households with any problems were cost-burdened; over one-third were severely cost-burdened.) Just over seven percent of renter households have housing problems other than cost burden. While this is twice the rate of Kent County and higher than New Castle as well, the non-cost burdened rate is still low.
- Among Sussex renter households with problems and incomes below 80 percent of MFI, almost 12 percent (409) had problems other than cost-burden.

### c. Cost-burdened Households

Because cost burden proves to be such a significant aspect of existing renter need, the analysis of cost-burdened renter households presented below is used to determine at-risk renter households. By “at-risk,” we are referring to extremely low-income households that have housing but who are paying more than 30 percent of income for rent. These households are in need of affordable housing. As was discussed earlier in Part 2, Section 5 *Housing Supply*, there has been a sizable increase in the rate of cost-burdened households between 2000 and 2005. However, the 2005 ACS does not present data to the CCD level which is used for the demand analysis. Table 6-8 on the following page provides a review of 2000 cost-burdened renter households by CCD.

According to the 2000 Census there were 28,128 renter households in Delaware paying more than 30 percent of their annual household income for rent. Despite the availability of 13,615 subsidized rental units and income restricted rental units and over four thousand Housing Choice Vouchers, 34 percent of the 82,690 renter households in the state were cost-burdened in 2000.

- At 49 percent, the City of Newark contained the highest percentage of cost-burdened renter households to total renter households in Delaware. The 2000 Census reported that only two other CCDs in the state had cost-burdened renter-occupied units greater than 40 percent of the total renter-occupied housing units, being the Greater Newark CCD (42 percent) and the Red Lion CCD (44 percent). It is noted, however, that 30 percent (1,200) of the 4,094 renter occupied units in the City of Newark are occupied by students of the University of Delaware.
- The percentage of cost-burdened renter households in New Castle County slightly exceeds the statewide percentage of cost-burdened renter households by 1.6 percent (36 percent New Castle County versus 34 percent for the state). It is noted that about 56 percent of the assisted rental housing units in Delaware are in New Castle County.
- Additionally, the following CCDs in New Castle County had a higher percentage of cost-burdened renter units than the state: the Brandywine CCD, the Wilmington CCD (which contains about one-third of the total assisted rental housing units in the state), the Lower Christiana CCD, the Piedmont CCD, and the Middletown/Odessa CCD. The CCDs in the northeastern portion of New Castle County are the only Delaware CCDs having a greater percentage of cost-burdened renter households than the state.
- Both Kent County and Sussex County were below the state percentage of cost-burdened renter households with Kent County being below by one percent and Sussex County being below by 6.2 percent. The lower rate of cost-burdened renter households corresponds with the lower gross rents in the two counties.

**Table 6-8**
**Cost-burdened Renter Households - 2000**

| | | Cost-burdened | | Units by Annual Household Income In 1999 ($) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Renter Housing Units | Total | % of Renter Units | <10,000 | 10,000 - 19,000 | 20,000-34,999 | 35,000-49,999 | 50,000-74,999 | 75,000-99,999 | 100,000+ |
| ***New Castle County*** | | | | | | | | | | |
| Brandywine | 8,587 | 2,968 | 34.6 | 608 | 951 | 1,033 | 220 | 120 | 30 | 6 |
| Wilmington | 14,270 | 5,589 | 39.2 | 2,282 | 1,682 | 1,430 | 172 | 23 | 0 | 0 |
| Lower Christiana | 4,085 | 1,498 | 36.7 | 349 | 598 | 500 | 51 | 0 | 0 | 0 |
| Greater Newark | 8,612 | 3,587 | 41.7 | 1,005 | 1,363 | 966 | 207 | 36 | 10 | 0 |
| Pike Creek/Central Kirkwood | 3,380 | 989 | 29.3 | 190 | 329 | 325 | 114 | 31 | 0 | 0 |
| Upper Christiana | 3,706 | 985 | 26.6 | 145 | 334 | 446 | 37 | 10 | 13 | 0 |
| Piedmont | 1,437 | 574 | 39.9 | 27 | 146 | 122 | 47 | 125 | 64 | 43 |
| Central Pencader | 2,084 | 545 | 26.2 | 46 | 140 | 346 | 13 | 0 | 0 | 0 |
| Middletown/ Odessa | 1,068 | 381 | 35.7 | 136 | 129 | 107 | 9 | 0 | 0 | 0 |
| New Castle | 9,019 | 2,894 | 32.1 | 572 | 1,017 | 1,193 | 102 | 10 | 0 | 0 |
| Red Lion | 194 | 86 | 44.3 | 24 | 25 | 25 | 12 | 0 | 0 | 0 |
| County Total | 56,442 | 20,096 | 35.6 | 5,384 | 6,714 | 6,493 | 984 | 355 | 117 | 49 |
| City of Newark | 4,068 | 1,992 | 49.0 | 664 | 735 | 479 | 114 | 0 | 0 | 0 |
| ***Kent County*** | | | | | | | | | | |
| Kenton | 222 | 73 | 32.9 | 30 | 18 | 25 | 0 | 0 | 0 | 0 |
| Smyrna | 1,176 | 427 | 36.3 | 195 | 171 | 52 | 9 | 0 | 0 | 0 |
| Dover | 9,100 | 3,055 | 33.6 | 849 | 1,352 | 752 | 102 | 0 | 0 | 0 |
| Central Kent | 1,228 | 346 | 28.2 | 127 | 152 | 63 | 4 | 0 | 0 | 0 |
| Felton | 282 | 74 | 26.2 | 24 | 17 | 23 | 10 | 0 | 0 | 0 |
| Milford North | 1,361 | 414 | 30.4 | 161 | 171 | 75 | 7 | 0 | 0 | 0 |
| Harrington | 807 | 287 | 35.6 | 68 | 154 | 51 | 14 | 0 | 0 | 0 |
| County Total | 14,176 | 4,676 | 33.0 | 1,454 | 2,035 | 1,041 | 146 | 0 | 0 | 0 |
| City of Dover | 5,913 | 2,323 | 39.3 | 656 | 1,023 | 550 | 94 | 0 | 0 | 0 |
| ***Sussex County*** | | | | | | | | | | |
| Bridgeville/ Greenwood | 764 | 206 | 27.0 | 43 | 110 | 53 | 0 | 0 | 0 | 0 |
| Milford South | 1,234 | 281 | 22.8 | 102 | 133 | 46 | 0 | 0 | 0 | 0 |
| Milton | 697 | 178 | 25.5 | 70 | 75 | 28 | 5 | 0 | 0 | 0 |
| Lewes | 1,723 | 468 | 27.2 | 73 | 179 | 196 | 7 | 5 | 0 | 8 |
| Millsboro | 1,211 | 328 | 27.1 | 131 | 146 | 51 | 0 | 0 | 0 | 0 |
| Selbyville/ Frankford | 1,505 | 422 | 28.0 | 155 | 142 | 108 | 17 | 0 | 0 | 0 |
| Georgetown | 999 | 319 | 31.9 | 111 | 145 | 51 | 12 | 0 | 0 | 0 |
| Seaford | 2,238 | 768 | 34.3 | 379 | 239 | 141 | 9 | 0 | 0 | 0 |
| Laurel/Delmar | 1,701 | 386 | 22.7 | 146 | 184 | 56 | 0 | 0 | 0 | 0 |
| County Total | 12,072 | 3,356 | 27.8 | 1,210 | 1,353 | 730 | 50 | 5 | 0 | 8 |
| Town of Georgetown | 759 | 269 | 35.4 | 87 | 136 | 34 | 12 | 0 | 0 | 0 |
| **DELAWARE** | **82,690** | **28,128** | **34.0** | **8,048** | **10,102** | **8,264** | **1,180** | **360** | **117** | **57** |

*Source: U.S. Census Bureau, Census 2000*

- The only areas in Kent County that exceeded the statewide percentage of cost-burdened renter households of 34 percent are the City of Dover at 39.3 percent, the Smyrna CCD at 36.3 percent, and the Harrington CCD at 35.6 percent.
- The Town of Georgetown at 35.4 percent and the Seaford CCD at 34.3 percent were the only two areas in Sussex County that exceeded the state percentage of cost-burdened renter-occupied units. The Town of Georgetown and the Seaford CCD are both located in the southwestern CCDs.
- Statewide, 98 percent of the cost-burdened renter households were low-income with annual household incomes below $50,000. Well over half (18,150) of the 28,128 cost-burdened renter households in Delaware were extremely low income, with incomes below $20,000.

### d. Unmet Rental Housing Needs – "At-Risk" Renter Households

Using the above analysis of existing rental housing issues, we arrive at a current number which represents renter households classified as at-risk per the above definition. It is expected that some if not many of the At-Risk renter households are housed in a substandard unit. Primarily, however, the households are cost-burdened.

As seen in the CHAS tables, those at greatest risk are extremely low-income households because there are fewer housing units across the state within their affordability level. Extremely low-income households live paycheck to paycheck and have very limited ability to save money. Many of the extremely low-income households have jobs that provide little or no opportunity for advancement to higher wage jobs. If they lose their source of income or if their rent increases, extremely low income households cannot afford to pay rent.

Generally, the at-risk renter households need a subsidy, either to pay for the rent at their current unit or to provide a security deposit and deposit for utilities at a unit within their price range. Other at-risk renters will be served by a newly constructed unit. Their number is calculated and included with the projected need in Table 6-10.

At-risk households represent unmet rental housing need in the state. The number of households in this category includes households on waiting lists for public housing or Housing Choice Vouchers. To ensure that the number of at-risk households is inclusive of all households and not only those who have gone to a public housing authority and asked for assistance, an additional indicator of need considered was extremely low-income renter households that are cost-burdened.

Table 6-9 shows a calculated estimate of 24,901 renter households considered to be "at-risk". The at-risk renter households are those that are cost-burdened (paying more than 30 percent of income towards rent) with an income of less than $20,000 annually – thereby, considered extremely low-income.

**Table 6-9**
**Delaware "At-Risk" Renter Households**

| | Annual Income <$10,000 | Annual Income $10,000 to $19,000 | Households on Assisted Housing Waiting Lists | Total At-Risk Households |
|---|---|---|---|---|
| New Castle County | 2,438 | 4,297 | 823 | 7,558 |
| City of Wilmington* | 2,282 | 1,682 | 2,319 | 6,283 |
| City of Newark* | 664 | 735 | 623 | 2,022 |
| Kent County | 798 | 1,012 | 1,058 | 2,868 |
| City of Dover* | 656 | 1,023 | 870 | 2,549 |
| Sussex County | 1,123 | 1,217 | 1,058 | 3,398 |
| Town of Georgetown* | 87 | 136 | 0 | 223 |
| **DELAWARE** | **8,048** | **10,102** | **6,751** | **24,901** |

*Source: Mullin & Lonergan Associates, Inc.*

** Not included in county totals.*

*NOTE: Waiting lists for Kent and Sussex Counties was divided in half since the total reported by DSHA was a combined number.*

## ii. Future Rental Needs: Existing "At-Risk" Households & New Households

Forecasting demand for additional rental housing units affordable to low income households is based on the existence of at-risk renters and the formation of new renter households. The new rental household growth is calculated using the age and income growth projections provided earlier.

Because occupancy of rental units can be age-restricted to persons age 55 and over or age 62 and over, renter demand reported in this *Housing Needs Assessment* has been segmented into two categories, 1) general occupancy, which consists of persons age 15 to 54, and 2) elderly, which consists of persons age 55 and over. Additionally, the portion of renter households considered to be at-risk and residing in a substandard or overcrowded unit is also considered when projecting demand. Not all of the at-risk renters will actually be in the market for new units.

To determine "gross renter demand," the rental rate of each age cohort in each county was applied to the projected new household growth for the period 2008 to 2012. The "gross demand" of new renters was then categorized according to the income groupings identified in Table 4-1 *Income Levels and Housing Affordability Range* contained earlier in this section of the *Housing Needs Assessment* and defined below.

There are, however, other influences in the market that impact demand for expanding the supply of affordable units in Delaware, including but not limited to the following.

- Existing vacancy rates in the marketplace.
- Units in production or approved for funding.
- Units potentially lost due to conversion.
- Available supply of affordable units by type.
- Current lease-up rates of new developments.
- Number of cost-burdened renter households, substandard units, or overcrowded units.

Evaluating demand is complex and is impacted by both qualitative and quantitative factors. Existing market and economic conditions play a major role in household growth and formation. The following forecast of demand has been based on available information and existing economic conditions at the time of this *Housing Needs Assessment* and could be significantly impacted should a substantive change occur within the economic and real estate environment.

Demand for rental housing in Delaware is quantified for low-income households (i.e. households with income at or below 80 percent of area MFI). The 2007 HUD median family income, trended through 2012 for each county, was applied to each income classification below when determining the future demand for new rental housing. The HUD determined 2007 median incomes for a family of four by county in Delaware as follows.

- New Castle County: $71,600
- Kent County: $58,700
- Sussex County: $53,800

The following provides a review of the assistance needs of the various categories of low income households defined by this *Housing Needs Assessment*:

- Extremely low-income households with income from 0 to 30 percent of MFI are primarily in need of a rent subsidized unit or a rent restricted unit, with rents underwritten well below the fair market rent. Families and individuals considered to be at or below the poverty level are included in the extremely low-income category described above. [Note: no new demand is projected as a result of renter household growth within this income group.]

- Very low-income households with income from 31 to 50 percent of MFI would also be served by low-income housing tax credit units targeted to persons below 50 percent of the area MFI. The Tax Credit program limits the income households can earn based on the number of persons in a household and assumes households pay no more than 30 percent of income towards rent. The Tax Credit program is not a rent subsidy program but does restrict income and rents in a development. Persons with a Housing Choice Voucher are eligible to reside in a Low-Income Housing Tax Credit unit; therefore, this category of demand for new rental units may duplicate rental subsidy and rent restricted needs. [Note: no new demand is projected as a result of renter household growth within this income group.]

- Low-Income Tax Credit households with income between 51 to 60 percent of the area MFI residing in a Low-Income Housing Tax Credit unit must have income at or below 60 percent of the area median income. Thresholds are set at different levels based on household size. The income limit for a family of four at 60 percent of the area MFI by county in Delaware was used in determining need for the category.

- Low-income households with income between 61 to 80 percent of area MFI are unlikely to qualify for a rent restricted unit or rent subsidy type program.

Table 6-10 on the following page identifies the need to expand the supply of assisted rental housing units by household income in Delaware by county from 2008 to 2012. The assisted rental housing need is also shown for the City of Wilmington, the City of Newark, the City of Dover, and the Town of Georgetown, which is not included in their respective county totals.

In reviewing Table 6-10, it is important to stress that the stated demand of 1,489 rental units comprises 357 units based on projected growth, if any, of new renter households within age and income categories. Zeros in the table represent limited or no new growth projected in households from 2008 to 2012. Certain categories were excluded from the table altogether due to zero projected demand throughout the state.

In addition to demand stemming from new household growth, Table 6-10 includes demand derived from existing renter households living in overcrowded and substandard, as well as unaffordable, housing units. Based on 2000 CHAS data for overcrowding and substandard conditions, an average rate for each situation was established for the three counties and the cities of Wilmington, Newark, Dover, and the town of Georgetown. The total number of at-risk renters in each area, as shown in Table 6-9, were multiplied by these average rates to arrive at a realistic estimate of at-risk renters who are most likely to need new units. Demand for an additional 1,132 units is projected based upon this calculation.

Households on waiting lists for rental assistance (either units or vouchers) indicate existing unmet demand. DSHA reported as of the fourth quarter of 2006 that a total of 5,356 households were on waiting lists for Section 8 administered sites and/or Section 8 bond financed projects. Although duplication likely exists on the waiting lists, the extensive list is an indicator of need/demand for additional subsidized units for the existing low and extremely low income households.

**Table 6-10**
**Projected Rental Demand (Existing "At-Risk" & New Demand), 2008-2012**

| | Total | Extremely Low (0-30% MFI) | Low-Income Housing Tax Credit (51-60% MFI ) | | Other Low Income (61-80% MFI) | |
|---|---|---|---|---|---|---|
| | | Existing At-Risk | General Age 18-54 | Elderly Age 55 and over | General Age 15-54 | Elderly Age 55 and over |
| **New Castle County** | 283 | 283 | 0 | 0 | 0 | 0 |
| City of Wilmington | 377 | 280 | 52 | 41 | 0 | 4 |
| City of Newark | 124 | 124 | 0 | 0 | 0 | 0 |
| **Kent County** | 318 | 160 | 62 | 20 | 57 | 19 |
| City of Dover | 168 | 80 | 40 | 17 | 20 | 11 |
| **Sussex County** | 156 | 156 | 0 | 0 | 0 | 0 |
| Town of Georgetown | 63 | 49 | 7 | 2 | 5 | 0 |
| Subtotal | 1,489 | 1,132 | 161 | 80 | 82 | 34 |
| **DELAWARE** | **1,489** | **1,132** | **241** | | **116** | |

*Source: Mullin & Lonergan Associates, Inc.*

*Note: Existing "At-Risk" takes the average percentage of overcrowded and substandard renter housing units multiplied by the number of at-risk households to arrive at "At-Risk" demand.*

Demand numbers in the above table are based upon the growth projections discussed earlier and were arrived at by aggregating totals across household age groups (15 to 54 and 55 and over) according to income. The numbers may reflect new demand for a specific income type in a city or town that may not be reflected in its respective county total.


The "at-risk" numbers in Table 6-10 assume that duplication of households exists between the 24,901 at-risk households reported in Table 6-9 and overcrowded and substandard housing data. It is assumed that the projected demand will be met through new construction. Creation of new units will serve projected new household growth needs as well as provide replacement units for at-risk households currently residing in an overcrowded or substandard unit. For the purposes of this analysis new construction includes both newly constructed units and the substantial rehabilitation of vacant dilapidated buildings.

As mentioned earlier in the discussion of assisted rental inventory, as of May 2007 there were a total of 821 affordable units in production in Delaware, meaning either approved for funding or approved and under construction. Of the 821 units, the majority (662 units) are existing assisted rental units that are to be substantially rehabilitated. Of the total 821, there were 614 family units and 207 elderly units. Approximately thirty-five percent (291 and 280 respectively) of the pipeline units were slated for New Castle and Sussex Counties, with the remaining thirty percent being targeted to Kent County. The current pipeline of projects will likely serve existing demand, therefore no adjustments have been made to the new demand as presented in the table above.

### iii. Rental Housing Demand by Households Age 55 and Over

An analysis of demand was conducted for the population age 55 and over using the same methodology presented earlier in this section. For purposes of ease, however, it was assumed that each age group had an equal distribution since Census data by age does not match the aforementioned categories. The demand for new rental units by low income households age groups 55 to 61, 62 to 74, and 75 and over (frail elderly), by location, is provided in Table 6-11.

**Table 6-11**
**Projected Elderly Demand for Rental Housing - 2008 to 2012**

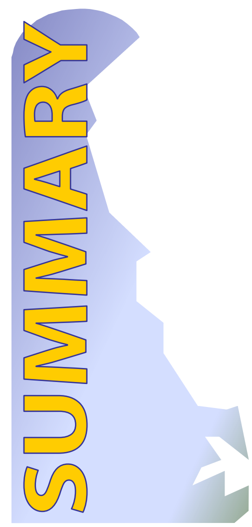
| | Age of Householder | | |
|---|---|---|---|
| | **55-61** | **62-74** | **75 and over** |
| ***New Castle County*** | | | |
| Extremely Low Income | 0 | 0 | 0 |
| Very Low Income | 0 | 0 | 0 |
| Low Income (Tax Credit) | 0 | 0 | 0 |
| Low Income Other | 0 | 0 | 15 |
| ***City of Wilmington*** | | | |
| Extremely Low Income | 0 | 0 | 0 |
| Very Low Income | 0 | 0 | 0 |
| Low Income (Tax Credit) | 0 | 0 | 10 |
| Low Income Other | 6 | 4 | 31 |
| ***City of Newark*** | | | |
| Extremely Low Income | 0 | 0 | 0 |
| Very Low Income | 0 | 0 | 0 |
| Low Income (Tax Credit) | 0 | 0 | 0 |
| Low Income Other | 0 | 0 | 1 |
| ***Kent County*** | | | |
| Extremely Low Income | 0 | 0 | 0 |
| Very Low Income | 0 | 0 | 3 |
| Low Income (Tax Credit) | 4 | 2 | 12 |
| Low Income Other | 4 | 3 | 13 |
| ***City of Dover*** | | | |
| Extremely Low Income | 0 | 0 | 0 |
| Very Low Income | 0 | 0 | 4 |
| Low Income (Tax Credit) | 1 | 1 | 9 |
| Low Income Other | 2 | 2 | 13 |
| ***Sussex County*** | | | |
| Extremely Low Income | 0 | 0 | 0 |
| Very Low Income | 0 | 0 | 0 |
| Low Income (Tax Credit) | 0 | 0 | 2 |
| Low Income Other | 0 | 0 | 6 |
| ***Town of Georgetown*** | | | |
| Extremely Low Income | 0 | 0 | 0 |
| Very Low Income | 0 | 0 | 0 |
| Low Income (Tax Credit) | 0 | 0 | 0 |
| Low Income Other | 1 | 1 | 1 |
| ***DELAWARE*** | **18** | **13** | **120** |

*Source: Mullin & Lonergan Associates, Inc.*

The projections for rental housing for persons age 55 and over are relevant to the discussion on demand since the Fair Housing Act provides familial status exemptions for elderly properties including housing intended for, and occupied solely by persons 62 and over. A property qualifies as "62 and over" housing if all occupants of the household are 62 years old or older. Another exemption includes 55 and over housing, which is intended and operated for households comprised of at least one person 55 years of age and older per unit is exempt. The Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988) should be reviewed for additional information on familial status exemptions and requirements.

Additional information regarding the needs of the low-income elderly is included in Part 3 of the *Housing Needs Assessment* in the section focusing on housing needs of special population groups.

**2.6 / HOUSING DEMAND**
**D. AFFORDABLE RENTAL HOUSING DEMAND**




- **Demand projections affected by low projections for new household growth among lower income households show limited new household growth within this category of renters in need; however the existing demand is significant and figures into overall future demand analysis.**

- **Existing rental housing need is concentrated on very and extremely-low income households; making housing affordable for these households is especially challenging and expensive because the housing situations of these households are especially precarious.**

- **A total demand for 1,489 rental units had been determined, which comprises 1,132 for existing "At-Risk" households, 241 for new households earning between 51 and 60 percent of MFI, and 116 for new households earning between 61 and 80 percent MFI.**

## E. PRESERVATION OF AFFORDABLE RENTAL HOUSING

Preservation of existing low income housing has been recognized as a national problem as older affordable housing units begin to reach contract expiration or the end of their restricted use period. In fact, most states have included a set-aside of Federal Low Income Housing Tax Credits within their Qualified Allocation Plan (QAP) to specifically address the preservation of existing affordable housing stock. Owners of aging affordable developments with expiring use restrictions/subsidies are being faced with decisions regarding the future use of their property. Potential loss of existing rent subsidies, conversion to market rate housing in gentrified areas, and/or deterioration of older unmarketable units, are just a few of the concerns that owners need to address.

*For the context of this assessment preservation is defined as assisted rental housing units receiving project-based rental subsidies that are within two years of any permitted prepayment <u>or</u> subsidy contract expiration with a likely conversion to market rate housing or equivalent loss of low income use restrictions.*

The majority of the affordable rental housing units in Delaware are aging. Approximately 44 percent of the all the assisted rental units in Delaware are more than 20 years old. It is projected that an additional 2,126 units will reach the 20-year mark by 2012. By 2012 more than 59 percent (8,058) of the current inventory of assisted rental housing in Delaware will be over 20 years old.

Although many of the assisted rental units have reserve accounts to replace worn-out items, there are still numerous units that have inadequate reserves sufficient to fund necessary improvements to maintain a decent and safe living environment for residents. Also, there are units that may be considered functionally obsolescent or unmarketable due to age or design considerations. Based on data provided by DSHA and existing trends within the industry, it is estimated that 50 to 70 percent of the units over 20 years of age may be in need of substantial rehabilitation.

There are a number of assisted rental units in Delaware that could potentially be lost due to conversion to market rate housing as a result of expiration of affordability restrictions, non-renewal of a Section 8 subsidy, or an owner's election to prepay a mortgage. As shown in Table 5-15 found in *Part 2: Housing Supply*, there are 4,604 assisted rental-housing units in Delaware that may be eligible for conversion to market rate housing by 2012.

There are 4,604 assisted rental-housing units in Delaware that may be eligible for conversion to market rate housing by 2012 as a result of expiration of affordability restrictions, non-renewal of a Section 8 subsidy, or an owner's election to prepay a mortgage. Of the 4,604 units, 2,022 units are family units developed with Federal Low Income Housing Tax Credits, 898 units are family Section 8 project-based, and 1,150 units are elderly Section 8 project-based. It is estimated, however, that of the total 4,604 units eligible to convert, slightly less than ten percent of the units eligible to convert actually will.

Assisted rental housing units potentially lost due to conversion in Delaware fall within two categories as outlined below.

### i. Federal Low-Income Housing Tax Credit (LIHTC) Units

The LIHTC program was established in 1986 and is contained in Section 42 of the Tax Code. The program is administered by the US Department of the Treasury and the Internal Revenue Service. Tax credits are allocated by state agencies, who in turn decide which projects receive tax credits each year based on established allocation guidelines. The LIHTC program requires a minimum 15-year compliance period unless an extended low-income use agreement is in place.

Of the 4,604 units at risk due to contract renewals or restricted-use expirations from 2008-2012, 2,231 are units in LIHTC sites where LIHTC restrictions will be expiring. Of these 1,121 are estimated by DSHA staff to be at high risk, 380 moderate risk, and 730 low risk. Assessment of risk is based on presence of other funding sources, subsidies, and use restrictions in the property; location; condition; and marketability as a market rate rental property. Table 6-12 below shows the Tax Credit units at risk of conversion by county.

**Table 6-12**
**Low-Income Housing Tax Credit Units Expiring, 2008-2012**

| | Total | Low Risk | Moderate Risk | High Risk |
|---|---|---|---|---|
| New Castle County | 829 | 166 | 16 | 647 |
| Kent County | 856 | 352 | 200 | 274 |
| Sussex County | 576 | 212 | 164 | 200 |
| **DELAWARE** | **2,231** | **730** | **380** | **1,121** |

*Source: Delaware State Housing Authority*

### ii. Project-Based Section 8 Units

In 1997, the United States Congress enacted the *Multi-family Assisted Housing and Reform and Affordability Act* (commonly referred to as "Mark-to-Market"). The Mark-to-Market program was made permanent in 1999 and addresses the financial and physical restructuring of housing projects with expiring Section 8 contracts. Owners of Section 8 properties with expiring contracts, however, may elect to "opt out" of the Mark-to-Market program, resulting in a loss of affordable rental units.

The 4,604 units at risk from 2008-2012 include 2,048 units in project-based Section 8 sites where contracts will be up for renewal in the 2008-2012 period. However, these sites are generally at low risk for conversion to market rate and are considered likely to renew.

A greater concern with project-based Section 8 sites is their physical condition, often the result of financial issues. Sites are inspected by the HUD Real Estate Assessment Center (REAC) every one to three years depending on past performance. Physical condition is scored on a scale of 1-100. Sites with scores below 79 are inspected annually. A score below 60 is failing and results in enforcement and corrective action, potentially leading to contract termination. A property scoring 30-59 is considered "substandard", and scores below 30 are considered "severe." Financial condition and low reserves generally accompany and indeed are often the root cause of physical issues. Using REAC scores below 70 and financial reserves below $1,500/unit as a threshold, project-based Section 8 units at high risk were identified. Table 6-13 below shows the results.

**Table 6-13**
**REAC Scores By Financial Reserves, 2007**

| | **Project-based Section 8 Units with REAC Scores Below 70** |
|---|---|
| Reserves > $1,500/unit | 262* |
| Reserves < $1,500/unit | 180 |
| Reserves Unknown | 180 |
| **Total** | **622** |

*Source: Delaware State Housing Authority*

**144 units in this category are in the process of preservation and rehabilitation.*

As of July 2007, two sites with a total of 180 units have low reserves and most recent REAC scores below 70. These sites are considered to be extremely high risk. An additional four sites with 262 units have reserves above $1,500/unit. One of these sites, with 144 units, is currently in the process of preservation and rehabilitation.

### iii. Preservation and Rehabilitation Needs

A review of the expiring use agreements for LIHTC units and those Section 8 contracts with expiration dates within the next five years should be closely reviewed by DSHA. The preservation needs of Delaware's assisted rental housing stock may be one of its most pressing needs.

Preservation needs are important when considering that the total assisted housing in Delaware consists of 13,615 units, of which 4,604 (34 percent) are eligible for conversion to market rate units within the next five years and that 44 percent of the affordable stock is more than 20 years old. The number of units potentially lost will continue to increase over time as tax credit units become older and additional HUD Section 8 contracts begin to expire.

**Affordable Rental Units At Risk of Converting to Market Rate 2008-2012**

New Castle County..................2,217

Kent County..................1,110

Sussex County..................1,277

**DELAWARE Total Units ......4,604**

Table 6-14 shows the projected preservation/rehabilitation needs in Delaware from 2008 to 2012. The total need includes 1) 4,604 affordable rental units estimated to be lost due to conversion to market units and 2) 2,259 units in need of rehabilitation. The total estimated assisted units in need of substantial rehabilitation is 50 percent of the assisted rental units that will be more than 20 years old by 2012.

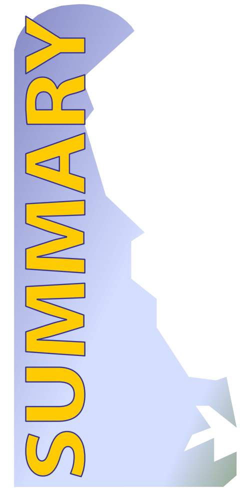
**Table 6-14**
**Preservation/Rehabilitation Demand 2008-2012**

| | TOTAL | Assisted Units Not Due to Expire by 2012 BUT in Need of Substantial Rehabilitation | Assisted Units Expiring At-Risk of Conversion by 2012 | |
|---|---|---|---|---|
| | | | Total Units At Risk of Expiring | *Estimated in Need of Substantial Rehab* |
| **New Castle County** | 1,550 | 604 | 946 | *277* |
| City of Wilmington | 2,049 | 928 | 1,121 | *486* |
| City of Newark | 166 | 16 | 150 | *75* |
| **Kent County** | 710 | 186 | 524 | *261* |
| City of Dover | 834 | 248 | 586 | *218* |
| **Sussex County** | 1,303 | 261 | 1042 | *374* |
| Town of Georgetown | 251 | 16 | 235 | *81* |
| **DELAWARE** | **6,863** | **2,259** | **4,604** | ***1,772*** |

*Source: Delaware State Housing Authority*

**Note: The assisted total was arrived at by multiplying assisted units > 20 years old by 50 percent.*

## 2.6 / HOUSING DEMAND
### E. PRESERVING AFFORDABLE RENTAL HOUSING




- **There are pressing dual needs of existing assisted rental housing stock: physical and maintenance needs and contractual/financing needs to preserve program participation and affordability. The priority need is maintaining and preserving DE's existing assisted rental housing stock.**
- **There are a total of 4,604 total assisted rental units that are at risk of converting to market rate housing as of 2012. There are an additional 2,259 assisted rental units not at risk of losing their affordability restriction but in need of substantial rehabilitation.**
- **Preservation projects are resource-intensive, but, in most cases, more cost-efficient than replacing stock with new units, not to mention the community costs of projects that are in poor physical condition.**

# 7. HOMEOWNERSHIP ISSUES

This section of the *Housing Needs Assessment* gives an overview of issues related to owning a home in Delaware, particularly for low-income households. It covers topics related to attaining homeownership and maintaining homeownership. The issue of mortgage foreclosure is covered in Subsection B, which is of particular currency in light of recent problems in the subprime mortgage industry.

## A. ATTAINING HOMEOWNERSHIP

The 2005 ACS reported that statewide median household income in Delaware was $52,499. (This should not be confused with the area median *family* incomes referred to in previous sections.) Using the statewide median, Table 7-1 shows household income by income percentage categories. Using renter cost-burden data from the 2005 ACS, it is possible to apportion the renter households in Delaware by income category, which is also shown in the table. Applying the rule of thumb that households can afford three times their annual income to purchase a home, the table also shows the maximum housing value that households by income category are able to afford.

**Table 7-1**
**Household Income & Maximum Affordable Home Price - 2005**

| | Household Income ($) | Number of Renter Households by Income Category | | Maximum Affordable Housing ($) |
|---|---|---|---|---|
| | | Total | % of Total | |
| Extremely low income (up to 30% MFI) | 15,745 | 19,123 | 21.8 | 47,235 |
| Very low income (31% to 50% MFI) | 26,250 | 14,178 | 16.2 | 78,749 |
| Low (51% to 80% MFI) | 41,999 | 19,556 | 22.3 | 125,998 |
| Moderate (81% to 100% MFI) | 52,499 | 11,248 | 12.8 | 157,497 |
| Moderate (101% to 115% MFI) | 60,374 | 4,816 | 5.5 | 181,122 |
| Above 115% of MFI | 60,375+ | 18,859 | 21.4 | 181,125+ |
| DELAWARE TOTAL | | 87,780 | 100.0 | |

*Source: U.S. Census Bureau American Community Survey and Mullin and Lonergan Associates*

Table 7-2 presents total vacant for-sale units in Delaware by price asked, as reported by the 2005 ACS.

- Of 5,253 vacant for-sale units, over half have a price asked of over $200,000 and are beyond the affordability range of households up to 115 percent of MFI.
- There are 729 units, or about 14 percent of the units, with a price asked of $150,000 to $199,999. These units are within the affordability range of moderate income households.

- There are 283 units, or 5.5 percent of the total with a price asked of \$100,000 to \$149,999. Households with income at 80 percent of MFI can afford up to \$125,998.

- Households with income at 50 percent of MFI can afford units up to about \$78,750. There are less than 700 units or 12.4 percent of the vacant for-sale units, with a price asked of \$60,000 to \$99,999.

- Households with income at 30 percent of MFI can afford less than 6.7 percent of the vacant for-sale units in Delaware.

The analysis does not consider other expenses of homeownership such as tax, insurance, private mortgage insurance (PMI), and maintenance that further constrain a household's housing budget.

**Table 7-2**
**Vacant for-sale Units by Price Asked - 2005**

| | Total Vacant For-sale Units | Percent of Total |
|---|---|---|
| Less than \$60,000 | 352 | 6.7 |
| \$60,000 to \$99,999 | 669 | 12.4 |
| \$100,000 to \$149,999 | 283 | 5.5 |
| \$150,000 to \$199,999 | 729 | 13.9 |
| \$200,000 to \$299,999 | 1,635 | 31.2 |
| \$300,000 to \$499,999 | 1,083 | 20.7 |
| \$500,000 or more | 502 | 9.6 |
| TOTAL | 5,253 | 100.0 |

*Source: U.S. Census Bureau American Community Survey*

### i. Demographics of DSHA Homebuyers

An analysis of home mortgage loans made by Delaware State Housing Authority reveals a popular program that is addressing an increasingly high demand for homeownership among small households with annual incomes averaging \$51,000. Table 7-3 on the following page presents DSHA mortgage data by county and for the state overall.

Across the state, the number of loans approved has risen dramatically from 425 in 2005 to 1,399 in 2006. The total as of April 2007 is 580 approvals and is on track to surpass the 2006 mark. On a monthly basis, an average of 35 loans was approved in 2005. This number jumped to 116 approvals per month in 2006. For the first four months in 2007, the average number of approvals was 145 per month.

Statewide, the average mortgage amount has increased commensurate with an increasing purchase price. Between 2005 and April 2007, the average mortgage amount increased 17 percent from \$157,482 to \$183,854. During the same time, the average purchase price increased 18 percent from

$160,291 to $189,131. However, the average household income of applicants has not kept pace with rising housing prices. Since 2005, the average income of approved applicants has remained virtually unchanged.

**Table 7-3**
**Analysis of DSHA Mortgages, 2005 – 2007**

| | 2005 | 2006 | 2007 Jan - April* |
|---|---|---|---|
| ***New Castle County*** | | | |
| Total Loans Approved | 279 | 966 | 413 |
| Avg Mortgage Amount | $158,575 | $170,931 | $184,483 |
| % Existing Homes | 95% | 97% | 93% |
| Avg Purchase Price | $161,814 | $176,056 | $190,391 |
| Avg Household Income | $52,114 | $51,074 | $51,271 |
| Avg Age of Applicants | 33 | 32 | 32 |
| Avg Household Size | 1.83 | 1.79 | 1.88 |
| % Female Applicants | 45% | 46% | 41% |
| ***Kent County*** | | | |
| Total Loans Approved | 127 | 321 | 119 |
| Avg Mortgage Amount | $158,284 | $177,924 | $186,148 |
| % Existing Homes | 87% | 89% | 88% |
| Avg Purchase Price | $158,947 | $180,399 | $188,265 |
| Avg Household Income | $50,464 | $52,114 | $52,877 |
| Avg Age of Applicants | 31 | 31 | 38 |
| Avg Household Size | 2.20 | 2.12 | 2.09 |
| % Female Applicants | 31% | 35% | 38% |
| ***Sussex County*** | | | |
| Total Loans Approved | 19 | 112 | 48 |
| Avg Mortgage Amount | $144,404 | $175,590 | $172,758 |
| % Existing Homes | 89% | 72% | 79% |
| Avg Purchase Price | $146,919 | $183,350 | $180,435 |
| Avg Household Income | $48,084 | $49,539 | $50,203 |
| Avg Age of Applicants | 31 | 31 | 32 |
| Avg Household Size | 2.26 | 2.13 | 2.10 |
| % Female Applicants | 32% | 29% | 43% |
| ***Delaware*** | | | |
| Total Loans Approved | 425 | 1,399 | 580 |
| Avg Mortgage Amount | $157,482 | $172,909 | $183,854 |
| % Existing Homes | 92% | 93% | 91% |
| Avg Purchase Price | $160,291 | $177,636 | $189,131 |
| Avg Household Income | $51,441 | $51,190 | $51,512 |
| Avg Age of Applicants | 32 | 31 | 33 |
| Avg Household Size | 1.96 | 1.89 | 1.94 |
| % Female Applicants | 40% | 42% | 40% |

*Source: Delaware State Housing Authority; Calculations by Mullin & Lonergan Associates, Inc.*

Taking into account the rate of inflation, average income has actually decreased 5 percent. Therefore, it is anticipated that continued rising sales prices will make it more difficult for a household to afford even a modest downpayment.

The average age of applicants has remained constant in the 31-33 year range, falling into the first-time home-buying age cohort. Household size has also remained constant at just under two persons per household. Nearly one-fifth of all approved applicants were minority households and 40 percent were female.

New Castle County, a more urbanized and populated region, accounted for more than two-thirds of all loans approved during the period (69 percent). Sussex County represented about 7 percent of approvals, and Kent County accounted for approximately 24 percent of the approvals. More specifically, the following findings were noted in each county:

**a. New Castle County**

- 1,658 loans approved; 69 percent of statewide total;
- Average mortgage amount increased 16 percent while average purchase price increased 18 percent; highest average purchase price in the state;
- Average household income fell by 2 percent;
- Lowest average loan to value (LTV) ratio in 2007.

**b. Kent County**

- 567 loans approved; 24 percent of statewide total;
- Average mortgage amount increased 18 percent as did average purchase price;
- Highest average household income increase (5 percent);
- Highest average age (38) of applicants in 2007;
- Lowest rate of female applicants (38 percent) in 2007.

**c. Sussex County**

- Lowest number of approved loans (179) since 2005;
- Average mortgage amount increased 20 percent while average purchase price increased 23 percent;
- Highest increase in average mortgage amount and purchase price;
- Average household income rose 4 percent;
- Highest rate of female applicants (43 percent) in 2007.

### ii. Credit Worthiness of Prospective Borrowers

Homebuyer programs offering financial subsidies and other forms of assistance can help renters become homeowners. However, to get to closing, homeowners must still prove their creditworthiness to both public and private lenders. Recent market trends impacted by overzealous and predatory lenders have helped to cool the nation's hot housing market. More importantly, the resulting foreclosures are causing lenders to tighten their underwriting standards, thus making it more difficult for some renters to become homeowners and for some homeowners to maintain their mortgages. The topic of mortgage foreclosures is discussed further in section 4B, *Maintaining Homeownership.*

### iii. Typical Settlement Costs, Including Transfer Taxes

In a residential real estate transaction, there are various costs associated with the purchase of a home. These costs are called settlement costs and are typically incurred by both the seller and buyer. At the financial closing, some of the settlement costs are paid for by the buyer and some of the costs are paid for by the seller. All of these costs are required to be disclosed, to the buyer, prior to transferring the property from the owner to the buyer. Listed below are typical settlement costs associated with the purchase of a residential property.

The buyer generally is responsible for:

- Title Searches
- Recordation of the deed and mortgage
- Survey (if required)
- Settlement fees (if any)
- Title insurance policy (both lender and owner)

The seller generally is responsible for:

- Any seller settlement fees
- Document preparation fees

In addition, the transfer tax (generally 3 percent of purchase price) is split 50/50 between the buyer and seller. (In Delaware, the three counties and some local jurisdictions waive their portions of the real estate transfer tax for first-time homebuyers.) There is also a state deed recordation fee of 1.5 percent of the sales price, and this also is split 50/50 between the buyer and the seller.

### iv. Availability of Homeownership and Credit Counseling

There are multiple organizations in Delaware that provide homeownership and credit counseling for new homebuyers. These agencies and programs generally serve first-time homebuyers. As with all lenders, homebuyers are generally required to complete one of the programs offered by these organizations prior to getting approval for a first mortgage. Listed in Table 7-4 below are the primary organizations providing these services.

**Table 7-4**
**Homeownership and Credit Counseling Organizations**

| Name of Organization | Location |
|---|---|
| First State Community Action Agency | 308 North Railroad Ave. Georgetown, DE 19947 |
| | 655 South Bay Road, Suite 4J Dover, DE 19901 |
| | 19 Lambson Lane, Suite 8 New Castle, DE 19720 |
| Hockessin Community Center | 4266 Millcreek Road Hockessin, DE 19707 |
| Housing Opportunity of Northern Delaware, Inc. | 100 West 10th Street Suite 1004 Wilmington, DE 19801 |
| Interfaith Community Housing Delaware, Inc. | 613 Washington Street Wilmington, DE 19801 |
| | 20 Patrick Henry Lane, Milford, DE 19963 |
| NCALL Research, Inc. | 363 Saulsbury Road Dover, DE 19904 |
| | 501 Ogeltown Road, Room 325 Newark, DE 19711 |
| | 110 S. Bedford Street Georgetown, DE 19947 |
| Neighborhood House, Inc. | 1218 B Street Wilmington, DE 19801 |
| | 219 West Green Street, Middletown, DE 19709 |
| West End Neighborhood House, Inc. | 710 N. Lincoln Street Wilmington, DE 19805 |
| YWCA Delaware Homeownership Education, Inc. | 153 E. Chestnut Hill Road, Suite 102 Newark, DE 19713 |

## v. Relative Real Estate Tax Burden

Relative real estate tax burden is an important factor in the affordability of sales housing. Taxes frequently influence home purchase decisions. Once the home is purchased, increases in taxes can adversely affect affordability and contribute to foreclosure.

Fortunately, Delaware enjoys one of the lowest real estate tax burdens in the nation. According to *The Tax Foundation*, a non-partisan tax research group in Washington, D.C., Delaware ranks:

- 39th in median property taxes paid on homes (2005)
- 47th in property taxes as a percent of home value (2005), and
- 45th in property taxes as a percent of income (2005)

By comparison, in 2005, New Jersey ranked 1st, Maryland ranked 13th and Pennsylvania ranked 14th in median property taxes paid on homes. This may help to explain why migration has contributed to an expansion of Delaware's housing market. The only states that have a lower property tax burden, according to The Tax Foundation's calculations, are Arkansas, Mississippi, West Virginia, Alabama and Louisiana.

The effective tax rate equals the total tax rate times the ratio of assessed valuation to market value. Property taxes on a hypothetical property having a market value of $100,000 would range from $378 to $1,609 depending on its location. Properties located within the Christina School District in the City of Wilmington pay the highest property taxes at $1.6098 per $100 in market value. Properties located within the unincorporated area of the Cape Henlopen School District pay the least in property taxes at $.3783 per $100 in market value.

## vi. Commuting Costs and Negative Effect on Homeownership

A review of 28 of the nation's metropolitan areas, *A Heavy Load: the Combined Transportation and Housing Costs of Working Families* *, found that, for households of all income levels, 27 percent of income goes for housing alone and another one-fifth goes to the cost of getting around. Together these items account for almost 48 percent of household income. Working families with incomes between $20,000 and $50,000 spend a similar percentage of income on housing; however, their transportation costs consume almost 30 percent of their income. Households that are able to reduce their transportation costs are better able to expand their housing opportunities.

* Center for Housing Policy, October, 2006.

The biggest tradeoff for households that are cost-burdened is transportation. Working families that spend more than half their household expenditures on housing put 7.5 percent of their expenditures toward transportation. Working families in housing they can afford expend up to 24 percent of their budget for transportation (commuting is a common strategy for working families to cope with high housing costs). Statistics show that working families spend 77 cents on transportation for every dollar decrease in housing costs. Although not all of family transportation cost is attributable to commuting, the journey to work from less expensive housing likely accounts for a substantial part of it.

Working families that are cost-burdened are almost twice as likely to lack a vehicle. While this is not necessarily a hardship, it possibly limits access to education or employment, the things that are needed to help with overcoming cost burden. Lack of a vehicle limits housing options to places close to work and services or convenient to public transit.

### vii. Limitations on Choice of Neighborhoods due to Fair Housing Issues

The Fair Housing Act of 1968, as amended, prohibits discrimination against persons and actions which "otherwise make unavailable or deny, a dwelling to any person because of race , color, religion, sex, familial status, national origin, handicap and presence of children within a family. The Act prohibits both intentional discrimination and practices that have a discriminatory effect on housing opportunities for the groups protected by the statute. In short, the Act seeks to ensure that the protected classes can live anywhere they wish, subject only to the same constraints that apply to all homebuyers and renters.

Since the Fair Housing Act was passed in 1968, there has been substantial progress toward desegregating housing patterns in the United States. Continuing patterns of residential segregation are the result of decades of official segregation and the persistence of unlawful discriminatory practices.

In 2003, the Delaware State Housing Authority hired the University of Delaware to prepare an analysis of impediments to fair housing choice in the state. The purpose of this study was to identify obstacles to fair housing choice through an analysis of public and private sector policies, procedures, and practices that impinge on equal housing opportunities. The study revealed residential segregation in each of Delaware's three counties. New Castle County had the highest rate of residential segregation, but its rate of segregation is decreasing. Although the levels of residential segregation in Kent and Sussex Counties are lower than in New Castle County, residential segregation in these two counties is increasing.

Factors that perpetuate residential segregation in Delaware include:

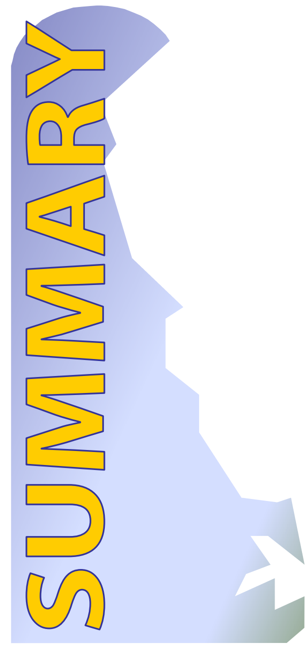
- Mortgage application rejection rates that are much higher for minorities than for similarly situated white applicants
- “Steering” of minority homebuyers to areas where other minorities reside and away from areas where whites reside
- Landlords’ refusal to allow structural modifications to make apartments accessible to persons with disabilities
- Strong NIMBYism (“Not in my back yard”) attitude often thwarts attempts to develop affordable housing for low and moderate income citizens
- Lending, insurance, and credit scoring practices make it more difficult and/or more expensive for minorities to obtain mortgages, home improvement loans, and homeowners insurance
- Zoning practices, (e.g., large minimum lot sizes that increase the cost of land, thereby making affordable housing more difficult to develop)

The 2003 University of Delaware fair housing study contained 14 recommendations for addressing the above issues and other factors that are impediments to fair housing choice in Delaware. Implementation of these recommendations will help reduce residential segregation in the state. The following are a select list of those recommendations.

- Promote a more rigorous, systematic, frequent and continuous housing discrimination testing program;
- Focus fair housing strategy on Sussex County, with particular emphasis on growing Hispanic population;
- Encourage the Division of Human Relations to be more aggressive with investigations and move away from conciliating the majority of discrimination cases;
- Make better use of private fair housing groups and allocate more resources to their cause;
- Recognize the need for more attorneys with expertise in fair housing matters;
- Promote inclusionary zoning as an important component to be included in county and municipal comprehensive plans;
- Establish a technical assistance program to assist local governments in advancing fair housing.

**2.7 / HOMEOWNERSHIP ISSUES**

**A. ATTAINING HOMEOWNERSHIP**




- **Swift increases in housing prices have led to little stock being affordable to low- and moderate-income households**
- **The greatest challenge to attaining homeownership is generally cost of homes, which exacerbates other challenges like getting an appropriate mortgage and having enough funds for closing costs and a downpayment.**
- **Low interest rates and extremely accessible financing supported homeownership attainability in recent years, but these factors are likely to change as interest rates increase and underwriting is tightened in the wake of the subprime fallout.**
- **Some factors associated with homeownership are more affordable in DE than in other areas, particularly property taxes. Delaware's property tax burden is among the lowest in the country.**
- **Fair housing issues and residential segregation persist in Delaware, which can also present challenges for prospective homebuyers.**
- **Commuting costs can be high for many who have moved further away from jobs in order to find affordable housing.**

## B. MAINTAINING HOMEOWNERSHIP

### i. Foreclosure Trends

According to the Mortgage Bankers Association of America (MBAA), the prime foreclosure rate in Delaware in 2005 was 0.43 and the sub-prime rate was 3.67. While these rates are comparable to rates across the nation, they are high within the Mid-Atlantic region. The nationwide spike in mortgage foreclosures and the deepening subprime lending crisis has raised much concern about the matter because of its potential consequences for the housing industry and the national economy overall.

A foreclosure filing represents the first legal action taken by a lender when a homeowner stops making payments on their mortgage. A filing does not represent the actual loss of the home, but rather indicates the beginning of a process that could lead to a loss if the owner fails to satisfy back payments and resume normal payments. Unless the payments begin again, an arrangement is made with the lender, a consumer seeks and receives bankruptcy protection, or some other extraordinary event occurs, the individual loses the home.

The State Bank Commissioner of Delaware identified mortgage foreclosures as an important economic and housing issue in 2006 and directed the development of an analysis of the situation by The Reinvestment Fund (TRF). TRF is a highly credible and respected entity in the field of financial analysis.

To complete the study, TRF undertook the following.

- Reviewed literature related to foreclosures, including that which identifies traditional triggers of mortgage foreclosure, abusive lending, loss mitigation, and efficacy of housing counseling.

- Analyzed how traditional economic indicators affect foreclosure rates in Delaware and across the nation.

- Conducted face-to-face interviews with mortgage lending industry representatives, foreclosure attorneys, representatives of the New Castle County Sheriff's Office and housing assistance providers.

In 2006, TRF published *Mortgage Foreclosures In Delaware*. Because the foreclosure trend has become increasingly prevalent, TRF revisited its study in 2007 in order to update it with current data.

Major findings from the 2006 report are presented in Table 7-5, with updated data in the bullet points that follow.

**Table 7-5**
**Number of Foreclosure Filings by County - 2000 to 2005**

| | Total Foreclosure Filings | New Castle County | Kent County | Sussex County |
|---|---|---|---|---|
| 2000 | 1,434 | 1,099 | 72 | 263 |
| 2001 | 1,708 | 1,260 | 110 | 338 |
| 2002 | 2,121 | 1,573 | 122 | 426 |
| 2003 | 2,204 | 1,740 | 110 | 354 |
| 2004 | 2,121 | 1,645 | 127 | 349 |
| 2005 | 2,174 | 1,615 | 227 | 332 |
| **Total** | **11,762** | **8,932** | **768** | **2,062** |
| Percent Change | 51.6 | 47.0 | 215.3 | 26.2 |

*Source: The Reinvestment Fund, "Mortgage Foreclosures In Delaware," June 2006*

- The prime mortgage foreclosure rate in Delaware in 2006 was 0.43; the subprime mortgage foreclosure rate was 3.67. These rates ranked Delaware in the middle of foreclosures among all states. At the end of the 4th quarter of 2006, the rates were virtually unchanged: 0.42 for prime mortgages, 0.72 for subprime mortgages.

- TRF estimated that 11,763 foreclosures were filed in the state between 2000 and 2005, a 52 percent increase during that time.

- Following other regional trends, many homeowners went in and out of foreclosure more than once during this time period.

- Foreclosure filings are disproportionately higher in New Castle County. The county contains 54 percent of all owner-occupied housing units in the state, yet 76 percent of all foreclosures occurred there. Although the number of foreclosures dropped six percent between 2005 and 2006, the county is still averaging 162 foreclosures per month.

- Specifically, foreclosures are concentrated in the Wilmington neighborhoods of Browntown, Hedgeville, Eastside, and Southbridge as well as Elsmere and Middletown in New Castle County.

- In 2006, Kent County's foreclosure rate decreased 1.4 percent from the previous year. However, as of Spring 2007, the county has experienced an increased rate again. In Kent County, concentrations are found in Milford, Harrington, Dover, and Smyrna.

- In Sussex County, 2006 saw almost a 10 percent increase in foreclosure filings. Higher foreclosure rates are found in the Laurel and Seaford areas.

- Foreclosure filings are concentrated in areas with significantly higher percentages of African American households and only slightly lower home values. Home appreciation rates and incomes are virtually the same.

- The median homeowner in foreclosure purchased their home in 1998 and paid between $80,000 and $110,000 for their home depending upon the year of purchase.

- A number of foreclosures used some type of alternative financing to purchase their home.

- 17 percent of the properties in foreclosure were originally purchased with two or more loans.

- 34 percent of homeowners in foreclosure purchased their home with a loan(s) that was either equal to or greater than the sale price.

- 17 percent of the loans in foreclosure have adjustable rates or are balloon mortgages.

- Loans in foreclosures were made by a mix of lenders who make prime and subprime loans.

- TRF estimated that 46 percent of owners in foreclosure during the period of 2000-2005 either lost or sold their home subsequent to filing for foreclosure.

### ii. Factors Affecting Mortgage Default

In order to establish a strategy to deal with the rate of foreclosures in Delaware, the causes must first be identified. TRF has identified eight triggers to explain changes in an area's foreclosure rate. Table 7-6 on the following page presents a synopsis of these triggers.

TRF's analysis determined that Delaware is positive on six of the eight triggers. Accordingly, the triggers do not fully explain the growing trend in foreclosures in the State. *Mortgage Foreclosures In Delaware* identifies potential causes for the increase in foreclosures as follows.

- Increased consumer access to mortgage products that allow for lower downpayments, 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 more modest means) unsustainable.

- The growing use of adjustable rate mortgages and 80/20 loans may lead to an increased number of foreclosure filings, particularly as high home appreciation rates of the past few years taper off.

**Table 7-6**
**Foreclosure Triggers and Conditions in Delaware**

| Trigger | Impact on Foreclosure | Conditions in Delaware |
|---|---|---|
| Cost Burden | Higher rates of cost burden correspond with higher foreclosure rates. | 2000 Census estimates about 15 percent of homeowners in State (with a mortgage) pay more than 30 percent of their income for housing, better than any state in region. 9.2 percent are severely cost-burdened paying more than 50 percent of income for housing. Delaware has one of the smallest percent of homeowners in the region facing severe burden. |
| Loan-to-Price Ratios | Higher loan-to-price ratios are generally considered to be a traditional cause of mortgage foreclosures as borrowers have less invested in the property. | Delaware's loan-to-price ratios are decreasing. Federal Housing Finance Board (FHFB) indicates that in 2004, average conventional single family mortgage loan in Delaware had a loan-to-price ratio of 75 percent. 3rd lowest in region and is on par with nation. Loan-to- price ratio has decreased steadily in Delaware since 1995 when, at 83 percent, it had highest ratio in region. |
| Appreciation | Non-appreciating markets tend to have higher foreclosure rates. When faced with an economic hardship, borrower living in appreciating market can tap equity in their home until financial hardship passes or sell home and walk away with some money instead of losing home to foreclosure. | FHFB indicates that between 1995 and 2004, median home sale price in Delaware appreciated at second fastest rate in nation (behind Massachusetts) and at fastest rate in region. |
| Employment | Unemployment makes it more difficult for households to afford mortgage payments and increases likelihood of default and foreclosure. | Unemployment rate in Delaware is consistently lowest among neighboring states. |
| Credit Scores | Credit scores range from 300 to 800. Lower scores represent higher risk consumers who carry a greater possibility of default and foreclosure. | Average credit score in Delaware is above national average, although not among highest in region. Experian, a repository of consumer credit information, reports average credit score in Delaware in 2006 was 683. While better than national average, Pennsylvania, New Jersey, and Maryland have higher average credit scores. |
| Mortgage Rates, Fees, and Terms | States where average mortgage rates, fees and terms are higher may have higher foreclosure rates as loans are more expensive to borrowers. | FHFB reports average mortgage made in Delaware in 2004 had interest rate of 5.8 percent and initial fees and charges of 0.4 percent. Across nation, interest rates ranged from 5.3 percent in Massachusetts to 6 percent in Oklahoma; fees and charges ranged from .07 percent in Vermont to 1.3 percent in Alaska. |
| Government Loans | Government loans, particularly FHA loans, tend to be riskier and carry a higher rate of default. | Delaware has higher rate of government originations than neighboring states. 8.9 percent of all purchase mortgages originated in Delaware in 2004 are government (FHA and VA) insured, which is higher than neighboring states. |
| Divorce | Divorce, with accompanying loss of income, increases likelihood of foreclosure. | Delaware has highest divorce rate in region. In 2002, divorce rate was 3.5 as reported by Division of Vital Statistics, National Center for Health Statistics. It has consistently declined since 1995 but is highest within region. |

*Source: Mortgage Foreclosures In Delaware, TRF, June 2006*

- Borrowers and potential borrowers lack information about alternatives to high cost loans. The desire to purchase a home is so strong that consumers are willing to enter into risky mortgage products.

- Many borrowers lack financial education, ranging from understanding the economics of interest rates to the importance of paying bills on time.

- Securitization of the residential mortgage market makes higher foreclosure rates acceptable to investors through proper pricing.

- Consumer expenditures on health care costs have risen faster than the growth in incomes. Subject matter experts suggested that households are choosing to pay medical costs at the expense of making mortgage payments.

- While not analyzed as a part of the study, interviewees suggested to TRF that growing energy costs are also making homeownership unaffordable.

- Abusive lending practices are evident in segments of the mortgage industry.

### iii. Recommended Strategies

*Mortgage Foreclosures In Delaware* makes the following recommendations in support of reducing the foreclosure rate.

- The State Bank Commissioner should continue to monitor changes in foreclosure filings as home appreciation rates are expected to slow and interest rates rise.

- *Target areas with heavy concentrations of foreclosure filings with information regarding foreclosure prevention resources.* The State Bank Commissioner's office is working to publicize a variety of resources available for homeowners in or on the verge of foreclosure. The campaign should first target those areas where foreclosure activity is most concentrated.

- Supplement training to housing counselors and consumers by holding conferences related to problems with 80/20 loans, ARMS and securitization. A number of the properties in foreclosure were originally purchased with two or more loans at the time of closing. This, as well as the growing use of ARMS to purchase a home, may cause a rise in foreclosure filings over the coming months and years.

- *Prevent foreclosure schemes.* States around the nation have grown concerned about the number of individuals and companies misleading homeowners in financial trouble. While TRF did not find any evidence of this type of activity in the data analysis, in the interviews or in our document reviews, the proliferation of cardboard signs in certain neighborhoods which advertise "We Buy Homes" and give owners a 1-800 number to call for help suggests that this type of activity is likely occurring.

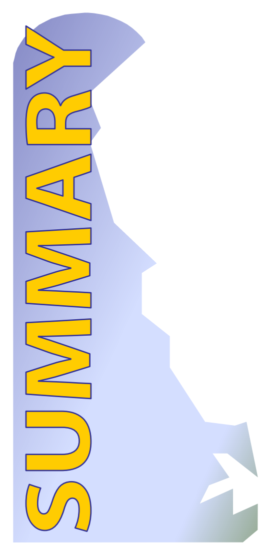
- *Create a pool of emergency funds for homeowners in trouble.* DHSA started a pilot program known as the Delaware Emergency Mortgage

Assistance Program (DEMAP) in 2006. The program is designed to assist homeowners, especially seniors and the temporarily unemployed, who, through no fault of their own, are in danger of losing their home to foreclosure. DEMAP offers homeowners with incomes up to 115 percent of the state median income a three percent simple interest loan of up to $15,000 to reinstate delinquent mortgages. Loans are repaid to DEMAP through monthly installments that are determined by DSHA, based on the recipient's net income in relation to total housing expenses. Default counselors at housing counseling agencies counsel owners facing foreclosure on their options and assist in the preparation and packaging of an application for a DEMAP loan if appropriate. Households must demonstrate a reasonable prospect of being able to resume mortgage payments in the near future.

- *Enhance the availability of legal representation for those facing foreclosure.* Interviews suggest that there are limited resources for people with mortgages who need to initiate an affirmative defense to their foreclosure (or even pre-foreclosure).

- *Improve data collection*. Delaware is fortunate to have a single entity (the Judicial Information Center) responsible for uniformly capturing information about mortgage foreclosures in all three counties. Capturing additional data in a more searchable database will allow the state to conduct more accurate and frequent analysis of trends.

**2.7 / HOMEOWNERSHIP ISSUES**
**B. MAINTAINING HOMEOWNERSHIP**




- **As in many areas of the country and region, accessible and affordable loans encouraged strong demand for homeownership even as prices rose. Response for many households has been to borrow more, push the limits of their incomes, and carry more debt.**

- **Of greatest concern is the rise in loans that can be risky for the average buyer, including ARMs, interest-only, other risky terms including borrowing more than the purchase price.**

- **Significant increases in foreclosures occurred statewide from 2000-2006. The rate of foreclosures in Delaware are high for the Mid-Atlantic region, but in the middle among other states nationally. Experts predict that the worst fallout from many risky loans made in 2004-2006 may be yet to come, and will play out through 2008.**

- **Factors affecting mortgage defaults in Delaware include cost burden, loan to price ratios, appreciation, mortgage rates, fees and terms, prevalence of FHA and VA-insured loans, and high divorce rate. 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.**

# 8. HOUSING DEVELOPMENT ISSUES

This section of the *Housing Needs Assessment* gives an overview of land use policies in effect throughout Delaware. It covers planning and zoning topics for each county, the three cities and the town of Georgetown. In Subsection B, a brief review of policies that act as impediments to the development of housing and the redevelopment of already used land is provided.

## A. LAND USE AND PLANNING FRAMEWORK

In September 2004, the State of Delaware approved a 5-year update of *Livable Delaware: Strategies for State Policies and Spending*. The document, originally approved in 1999, was updated to include the new strategies. Five primary housing issues were identified in the *State Strategies* report including:

- The need for compact development and a move away from sprawl, trend, or leapfrog development.
- Advocacy for open space design techniques or conservation design.
- A desire for Community Design Subcommittee core values. The Community Design Subcommittee is part of the Livable Delaware Advisory Committee, which offers guidelines for development in Delaware.
- The need to promote development in growth areas.
- Delaware State Housing Authority's role in the state's housing opportunities, growth, and development guidance.

Beyond providing recommendations and guidance for housing issues in the state, the *Livable Delaware* program has enacted legislation requiring the three counties to make their respective comprehensive land use maps consistent with their respective zoning maps. This requirement, more than any other land use planning mechanism, will facilitate the implementation of future land use policies into law. All three counties and 46 of the 57 incorporated municipalities have completed Comprehensive Plans. The status of comprehensive plans in the state of Delaware is as follows:

- Completed Plans – 46
- Certified Completed Plans – 41
- Plans in Progress – 6
- No Plan/Unknown Status – 5

The municipalities with no plan or plans with unknown status include Kenton, Hartly, Woodside, Magnolia and Bethel. Brief summaries of the comprehensive plans and zoning ordinances, for each of the three counties, the three largest cities, and Georgetown are provided below.

### i. New Castle County

New Castle County is currently in the process of updating its comprehensive plan. The County continues to provide and plan for sustainable development by discouraging premature, uneconomical or sprawling land development. The plan also promotes a policy of land use based on existing community character types. The 2007 update targets compatible expansion and redevelopment of existing neighborhoods as well as new development in designated growth areas. According to the 2007 Comprehensive Plan Update, residential zones made up 28 percent of the land in 2002.

The plan identified several factors that negatively impact housing in New Castle County. These include:

- Increasing housing costs—Housing costs increased by 53 percent between 2000 and 2005 while income increased by only 6 percent. In 2006, only households earning 97 percent of the county's median income could affordably purchase a median priced home.
- A need for more affordable rental units—HUD data indicates that there were only 4,582 affordable rental units in New Castle County in 2005 for approximately 7,087 households earning less than $25,000 per year.
- A need for continued enforcement or increased enforcement of the Property Maintenance Code.
- A need for transit oriented districts with high density residential allowances.
- A need for first-time homebuyer assistance programs.

The plan update addresses the need for future housing development to occur in response to commercial and industrial development in a manner that provides a variety of housing types as well as permits the availability of affordable housing in growth areas. The plan identifies eight objectives established to assist in "facilitating housing and community choices for people and families in all stages of life, all income ranges, and throughout the county." These objectives include the following:

- Objective 1: Ensure the Future Land Use Plan provides sufficient land for more compact residential growth.
- Objective 2: Foster a pedestrian and public transit environment.

- Objective 3: Promote reinvestment in older communities.
- Objective 4: Expand the supply of housing types to create a more diverse market of livable housing options for people in all income ranges.
- Objective 5: Direct funds for affordable housing to connected, accessible, and walkable locations, in close proximity to transit, schools, daycare, jobs, shops, and services.
- Objective 6: Provide homeownership opportunities for low and moderate-income households.
- Objective 7: Work with the state and federal governments to increase the supply of rental housing affordable to extremely low-income county residents.
- Objective 8: Maintain or improve the condition of all housing stock throughout the county without causing displacement.

Several strategies have been recommended in order to achieve these objectives and to encourage a wider variety of residential types and range of affordability in designated growth areas. Some of the strategies include:

- Revise the Unified Development Code regulations to provide density incentives along transit corridors, in mixed use centers, and for the provision of affordable housing.
- Work with other agencies, the development community, non-profit housing agencies, and incorporated municipalities to increase the supply of affordable rental units in locations with appropriate services.
- Identify regulatory barriers to affordable housing and amend as needed.
- Establish a trust fund for the development of new affordable housing.
- Encourage the creation of affordable housing through initiatives such as accessory dwelling units, inclusionary zoning, housing programs and an affordable housing trust fund.

New Castle County's Unified Development Code (UDC) provides flexibility in each zoning designation by providing several development options. In areas where preservation of community character is desired, Neighborhood Conservation Districts (NC) have been established. These are the primary zones where residential use is located. There are 13 different Neighborhood Conservation Districts, each allowing slightly different residential development. These are intended to preserve existing neighborhood identities that were or are being developed under previous zoning regulations.

The UDC also identifies areas where infill development can occur and permit a wide range of residential uses. Other districts, beyond the NC Districts, that permit residential use include Traditional Neighborhood Districts (TN), Suburban Transition Districts (ST), Suburban Districts (S), Suburban Estate Districts (SE) and Suburban Reserve Districts (SR). Multi-family residential units such as apartments, townhouses, and garden apartments are permitted in some districts including ST, S and certain NC and TN districts. Specific NC districts include NCth, NCga, and NCap.

Among these zoning designations, two stand out in relation to housing availability and variety. These include the Suburban Districts (S) and Suburban Reserve Districts (SR). Suburban Districts are designed to "permit a wide range of residential uses" including moderate and high-density development in a mixed-use village or hamlet design. These designs also permit up to a 10 percent density bonus. These districts have been utilized as an infill tool for tracts containing at least five acres and in the vicinity of transportation routes, between commercial/industrial areas and Neighborhood Conservation Districts, and in growth areas containing large tracts of undeveloped land.

The SR Districts are intended to have water and sewer service in the future and eventually will be zoned Suburban Districts once sewer construction is imminent. These districts not only allow for a variety in housing density development but also require landscaping and/or open space to be provided. This helps prevent large scale, high density development from occurring, which overcrowd and aesthetically overwhelm an area or neighborhood. Also, this will help prevent parcels from being converted into 100 percent coverage, large-scale residential apartment complexes. By providing areas for higher density development utilizing smart growth or "green" design, the county has taken a positive step towards providing additional opportunities to meet rental-housing needs.

Additionally, the UDC established several residential development bonuses to promote a wider variety of housing types and the addition of affordable housing. These bonuses include:

- Affordable Housing Bonuses: bonuses include compensation to developers not clearly defined in UDC
- Infill Development Bonus: 8 percent density bonus
- Age Restricted Residential Development Bonus: up to 20 percent density bonus

These bonuses include specific eligibility criteria such as site eligibility definitions, design standards, affordability definitions and Federal regulations citations. These bonuses most commonly include such things as increased density bonuses, which allows for higher density to be developed at identified bonus sites.

### ii. Kent County

Kent County's comprehensive plan was adopted in 2002. (An update is planned for completion in 2008.) The 2002 plan update divides the county into growth and non-growth areas. Growth areas are primarily located near more urbanized, developed regions of the county or along major transportation corridors. Non-growth areas, however, constitute a majority of the land area in the county. While the plan identifies the growth areas as the "primary location for housing development," residential development is permitted in all agricultural and non-growth areas. The plan recommended that Kent County incorporate clustering techniques into its zoning ordinance, which can voluntarily be utilized by developers as a method to help prevent sprawl. The plan intends to provide "realistic opportunities" for development by providing for a variety of housing types and through "regulatory flexibility."

Kent County is a very active participant in the state's Agricultural Land Preservation Program. The two methods utilized by this program involve establishing agricultural preservation districts (AP/10) and the purchase of development rights (PDR). The AP/10 districts require property owners to enter into agreements with the state to preserve their land exclusively for agricultural use in exchange for tax benefits and right-to-farm protection. These parcels must be maintained as agricultural land for ten years. The PDR program involves the purchasing of parcels by the state to retain development rights in order to preserve the parcel for agricultural use indefinitely.

Kent County's zoning is vastly dominated by Agricultural Conservation (AC) and Agricultural Residential (AR) districts. These districts abut growth areas designated for commercial and industrial development. The county includes five districts that specifically address residential development. These include:

- Agricultural Residential (AR)--Permits single-family detached units and manufactured homes
- Single-Family Residential (RS1)--Permits single-family detached units and manufactured homes
- Medium-Density Residential (RS5)--Permits single-family detached units, duplexes, multiplexes, semi-detached units, and townhouses

- Multifamily Residential (RM)--Permits single-family detached units, duplexes, multiplexes, semi-detached units, townhouses, patio and village dwellings, and apartments.

- Residential Manufactured Home (RMH)--Permits single-family detached units.

Many of the AC and AR districts are overlayed with PDR and AP/10 designations. A review of both the comprehensive plan update and the zoning ordinance and map reveals several issues pertaining to housing variety and affordability in Kent County. These issues include:

- Median housing values far exceed affordability based on median income earned.

- Despite providing several zoning options for residential development, the variety of housing types within each zone varies little.

- Residential zoning focuses on single-family detached dwellings.

- Cluster development and manufactured housing, while often reducing housing costs, do not address the need for rental unit availability for those who can't afford single detached housing.

- Multifamily Residential (MR) zones are severely underrepresented.

- Agricultural Conservation (AC) and Agricultural Residential (AR) districts vastly dominate zoning in Kent County, preventing housing variety and accessibility to an economically diverse group of people by only allowing single family detached development on larger parcel sizes.

- AC and AR districts promote sprawl by virtue of larger minimum lot size and single family detached dwelling unit requirements.

- AC and AR districts near urbanized areas and employment centers (commercial/industrial zoned areas) impede the development of affordable housing in close proximity to many jobs.

- AC and AR districts, and specifically PDR and AP/10 designated areas, along major transportation routes such as RT-1 prevent the development of a variety of affordable housing types along key transportation corridors.

- Large areas of AC and AR districts, particularly with AP/10 and PDR overlays, force multifamily and affordable housing development to primarily be located in densely developed areas. Many of these more densely developed areas are already lacking in multi-family zoning.

### iii. Sussex County

Sussex County is currently in the process of updating its comprehensive plan due for completion in 2008. The existing plan was last updated in 2003. The county continues to grow and expand in the east along the coast and the Route 1 corridor as well as in the west along the Route 13 corridor. The 2003 plan continues to divide the county into two main areas, Growth Areas and Low Density Areas. Growth Areas are those areas located near existing development or significant infrastructure that can expect to experience continued growth pressure in the future. These pressures stem from an increasing near-retirement and retirement population settling in the eastern part of the state, businesses arriving to serve that population, and scattered settlement in the west. In order to address the multitude of issues pertaining to balanced growth and smart planning, the county identified the following considerations as most important to the plan:

- Determination of appropriate areas to be considered "Developing Areas";
- Determination of areas proposed for annexation by municipalities;
- Consideration of density and land uses in Town Centers and Developing Areas;
- Special considerations appropriate for "Environmentally Sensitive" Developing Areas;
- Short and long term transportation improvements;
- Agricultural Preservation;
- Environmental Considerations;
- Achieving compatibility between the comprehensive plan and the zoning map;
- Provisions for economic development;
- Consideration of housing needs.

A review of the comprehensive plan update and the zoning ordinance and map reveals several issues that continue to impact housing variety and affordability in Sussex County. These issues include the following:

- Median housing values exceed affordability based on median family income;
- Limited use of residential zoning types, particularly high-density residential zones;

- According to the zoning maps, the areas around the developed municipalities are zoned AR-1 (agricultural residential);
- Lack of residential zoning options in areas directly outside municipal areas - the county is placing the affordable housing responsibility for developed areas almost entirely on the municipalities;
- Lack of residential infill zoning in areas around municipalities.
- Lack of residential zoning along development/transportation corridors despite allowing for commercial or industrial zoning.

Supported by State goals, Sussex County intends to direct, and confine, as much as possible, development to those areas designated as growth areas. The growth areas are primarily located in and around existing developed municipalities. The county believes these areas hold the greatest opportunities for “development with the least impact on Sussex County’s environment, healthful living standards, agricultural industry and transportation network.” If achieved, this will help maintain agriculture and open space areas throughout the rest of the county.

Because many of the growth areas center around municipalities, close cooperation is required between the county and the respective municipalities in order for these policies to be achieved. Focusing on how to manage and plan these growth areas becomes a high priority since this is where most of the future development will occur. In order to accomplish these goals, the county identified the following recommendations as most important in the plan:

- Creation of an Environmentally Sensitive Developing Area;
- Allow clustering and minimum lot sizes of 7,500 square feet;
- Reduce the size of Developing Areas;
- Improve the quality of development by revising community design standards;
- Allow clustering on one-half acre parcels in AR-1 areas;
- Allow bio-tech campuses and agricultural related businesses in Low Density Areas;
- Limit the density of residential uses in C-1 districts to four dwelling units per acre for newly rezoned districts;
- Evaluate the need to increase buffer zone requirements for tidal wetlands and the need to require a buffer zone for non-tidal wetlands.

The zoning ordinance provides for nine residential zoning designations. Two of these zones, High-Density Residential (HR-1 and HR-2), permit multifamily housing by right. Another three residential zones permit multifamily housing as a conditional use (Medium-Density Residential-MR, Urban Residential-UR and General Residential-GR). Little county land is zoned for the HR districts, including areas around significant municipal development. MR and GR districts are scattered throughout the county. MR districts are almost strictly located on the eastern side of the county, particularly along the coast and inland bays. There are two large MR locations located away from the coast. One is southwest of Milford and the other is southwest of Seaford/Blades. The rest of the county primarily utilizes GR as the residential zoning district capable of permitting multifamily development.

In addition to providing a variety of residential zoning districts to address housing needs, the county also adopted a Moderately Priced Housing Ordinance. This ordinance provides incentives to developers to construct county-defined affordable housing units to be sold to residents earning moderate incomes as defined by HUD. Sale prices for homes are established by the Sussex County Department of Community Development and Housing moderate income tiering system and family size. Incentives for developers under this program include items such as density incentives and expedited review periods. Density incentives can vary from 20 percent to 30 percent based upon the tiering system.

### iv. City of Wilmington

Wilmington, Delaware's largest city, is an almost entirely built-out urban environment. This means that any changes or attempts to address housing issues involve focusing on existing, developed areas. Wilmington's 2005 Consolidated Plan closely reviewed housing issues in the city. The plan identified housing needs for a variety of persons including those earning extremely low incomes, renters, elderly, persons with HIV/AIDS, single persons, public housing and Section 8 residents, as well as large and small related households. According to the City's Consolidated Plan the city identified the following obstacles to addressing these needs:

- Cost-burdened households- (Approximately 30 percent of all households were paying more than 30 percent of their gross income on monthly housing costs in 2000).

- Overcrowding (Renter 7.2 percent, owner 2.7 percent)

- Housing in substandard or moderately deteriorating condition – (Cost-burdened households typically cannot afford the required maintenance of their housing units, particularly older units.)

- Vacancy (10.9 percent vacancy rate.)

Deteriorating housing conditions and higher-than-desirable building vacancies were consistently identified as significant issues concerning housing in Wilmington. The city continues to implement rehabilitation and acquisition/demolition programs to address these issues, which are two of the most important tools available in an urbanized area.

Wilmington's zoning ordinance provides for a variety of residential uses, nine in all, especially pertaining to multi-family housing. Four of the nine districts permit multi-family, apartment style development by right. However, due to limitations such as available land and high development costs, it is very difficulty to provide the quantities of affordable housing units needed in a built-out urban area.

Developable land of significantly sized parcels for residential uses is difficult to find in densely developed areas. Funding is also a primary factor in addressing housing rehabilitation issues in Wilmington due to extensive rehabilitation and the cost of acquisition/demolition. For cities with many older residential structures, or non-residential structures appropriate for conversion to residential use, building codes for the historic rehabilitation of properties can facilitate more cost-effective rehabilitation than modern building code requirements.

### v. City of Dover

Dover's comprehensive plan addresses housing affordability and variety by providing for several residential zoning districts. Housing options include everything from affordable housing to student housing and housing for the elderly. The city has a traditional central business district with desirable characteristics for preservation. The city's plan includes a strong focus on property maintenance. Land surrounding the city is primarily undeveloped agricultural land.

The City identifies nine different residential zoning categories totaling 14 zoning districts including a mixed use residence/office district. The ordinance's categories and zones are as follows:

- One-family residence – R-20, R-15, R-10, R-8, and R-7
- General Residence – RG-1 and RG-2
- Group Housing – RG-3
- General Residence for Multi-Story Apartment – RG-4
- General Residence for Mid-Rise Apartments – RG-5
- Medium Density Residence – RM-1
- Medium Density Residence – RM-2

- Mobile Home Park – MHP
- General Residence and Office – RG-O

Zones RG-2, RG-4, RG-5, RM-1, RM-2, and RG-O all permit either multiplex, garden apartment, or apartment dwellings. This provides many multifamily housing options. Dover's plan indicates that 30 percent of the community's housing stock is multifamily housing, indicative of a considerable portion of housing being dedicated to multi-family residential needs.

### vi. City of Newark

Newark is similar to Dover in that a variety of housing options exist for different household types and affordability ranges. Newark also has a traditional downtown area with desirable characteristics worthy of preservation and promotion. Land outside of the municipal boundaries is primarily undeveloped and agricultural in nature.

The city provides for a variety of zoning districts and also includes an Adjacent Areas and Land Use Plan. This plan identifies thirteen areas surrounding the City of Newark for future development. These areas are identified as gaps in the municipality's development or sites at key locations surrounding the City. Incorporation of these areas into the city would create a more consistent regional development plan by facilitating a more efficient use of land and the provision of infrastructure in and around the city. These unincorporated areas are located along major transportation routes around the city or are areas that must be traversed when going from one part of Newark to another. This plan was developed in response to the unavailability of developable land accompanied by an increasing housing demand that cannot be met within the current municipal boundaries of the city. Such a plan is one of the most proactive efforts to address multiple development issues including:

- Planning for future development demands;
- Utilizing infill development particularly in "development gaps" located in proximity to communities;
- Meeting the State's goal of continuing to guide and promote development in areas around existing, developed communities;
- Planning for development along transportation corridors;
- Creating more clearly defined development boundaries.

Unlike affordable housing and density housing bonus or incentive programs, the Adjacent Areas and Land Use Plan seeks to actively address existing housing needs as well as plan for future development demands. This plan does not rely on voluntary participation by developers but instead takes the initiative to seek out development opportunities and utilize them to help meet development needs including that of affordable housing and, specifically, multifamily housing.

### vii. Town of Georgetown

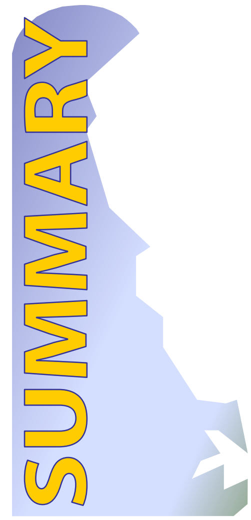
Georgetown is significantly smaller, by population, than the three cities. However, Georgetown is the county seat for Sussex County and continues to remain a significant location for many of the political, social, and cultural activities in the county. The population in Georgetown is also one of the fastest growing in the state. While the larger cities of Wilmington, Dover, and Newark had population increases between 1990 and 2000 of 1.6 percent, 17.5 percent, and 13.8 percent, respectively, Georgetown's population increased by 24.1 percent over the same time period.

Hispanic residents of Georgetown continue to account for over one-third of the overall population. Many of these individuals work in low paying jobs in nearby poultry factories. This has created a unique situation in the town where a large portion of the population are immigrants earning very little income with little opportunity for advancement.

Georgetown, unlike many of the other municipalities, contains very few residential zoning districts. The five zoning districts that make up the residential zones include the Urban Residential District (UR1), Medium Residential District (UR2), Neighborhood Residential District (UR3), Multifamily Residential District (MR1) and Townhouse Residential District (MR2). While the town's zoning ordinance does provide for multifamily housing (MR1), residential zoning is primarily dominated by Urban Residential (UR1), which only provides for single-family detached dwellings. The provision of only one multifamily zone reveals a lack of variety in multifamily housing options. Additionally, the MR1 zone is sparsely located throughout Georgetown, therefore encouraging the conversion of single-family to rental units. The result is a loss of owner-occupied housing.

**2.8 / HOUSING DEVELOPMENT ISSUES**

**A. LAND USE AND PLANNING FRAMEWORK**




- **Continued improvement of statewide planning coordination among all levels of government is important to assure that growth is sustainable and that land use patterns do not result in the making housing unaffordable. Strategies are needed to mitigate the effects some growth-control policies can have on housing affordability.**

- **Counties, towns, and cities need to include an analysis of their housing needs in their comprehensive planning process; well-researched, well-thought-out, achievable housing strategies are critical. Jurisdictions should be held accountable for addressing housing affordability issues in the implementation of their plans.**

- **Opportunities such as expedited development review, fee waivers, etc., exist for state and local coordination to provide incentives for affordable housing. It is important that state and local initiatives not contradict or inadvertently slow housing affordability strategies.**

## B. IMPEDIMENTS TO HOUSING DEVELOPMENT & REDEVELOPMENT

### i. Potential Barriers that Limit Production of Affordable Rental Housing

There are several factors that impact or limit the production of new affordable housing in Delaware. The following list is not all inclusive, but was based on interviews with for-profit and non-profit developers, public and private agencies, and various reports and documents gathered during our research:

- *Income and Rent levels:* the median income for a family of four in New Castle County is substantially higher than the median income levels in Kent County and Sussex County. The low income levels hinder the financial viability of developing affordable housing in Kent County and Sussex County without deep development and rental subsidies. Although development and operating costs are similar in all three counties in Delaware, there is a disparity in the amount of income to be derived from rents, thus resulting in less viable projects.

- *Land Costs and availability*: land costs have increased substantially over the past several years in Delaware, making it difficult to maintain affordability.

- *Pre-development funds*: Need for additional "seed" money for non-profit developers to cover the up-front costs associated with development.

- *NIMBYISM:* many areas within the state have a “Not in My Back Yard” attitude, which deters developers from creating needed affordable housing. Even when developers and municipal officials recognize the demand for and benefit of affordable housing, public reaction to proposed higher density and more affordable multifamily developments is frequently negative. Much of the negativity is derived from misinformed notions about the impact of such development on their property values.

- *Limited Resources*: development costs keep increasing, thus requiring deeper development subsidies. Resources such as Federal HOME funds and tax credits are limited and often not sufficient to fund needed units.

- *Mixed-income resources*: lack of resources to create a mixed-income environment.

- *Special initiatives*: lack of funds to create affordable assisted living for seniors and supportive housing for people with disabilities.

- *Demographics*: although a need may exist for affordable units in rural areas, the demographics do not support large scale development, therefore limiting economy of scale and financial viability of creating new units. Rural areas also often lack adequate infrastructure to service higher density multi-family housing. Development of the infrastructure adds substantially to the cost of the housing.

### ii. Condition of Housing in Older Neighborhoods

Addressing declining housing units in urban areas is one of the most important actions a local government or planning region can undertake to halt further population loss and to create an environment that new residents find attractive and desirable. Working to maintain and improve urban areas is efficient from a land use perspective as it builds upon existing infrastructure and developed land, lessening development pressures in the rural areas. It supports sustainable development where households of various income levels and housing preferences can live, play, and possibly even work. It also preserves distinctive, well-constructed housing units that are financially difficult to re-create in today’s market.

The age threshold commonly used to signal a potential deficiency in a housing unit is set at 40 years old or over. In 2005, in Delaware, 27 percent of the housing stock met this threshold. In urban environments where more older housing is located, this percentage is often higher. In Wilmington, for example, 82.3 percent of the 2000 housing inventory was identified as being older than 40 years. As housing units age, maintenance costs increase, placing a financial burden on property owners. This can exacerbate the degree of cost burden of a household: housing maintenance costs may be above and beyond what a household can afford once rent or mortgage costs are factored in.

Typically, renters are not as interested in investing in properties that they do not own, and landlords of lower cost rental properties may not recognize or have the desire to maintain properties located in transitional neighborhoods. Both of these situations can and do lead to a continuing degradation of properties over time. This downward cycle, in turn, reduces the value of the properties. Thus begins a vicious cycle where poorer quality housing is the only housing option for lower income residents. Eventually these properties become so deteriorated that they are abandoned, vandalized, condemned, or destroyed by fire or structural failure.

Historic districts can provide a community with a mechanism by which to preserve, restore, and maintain architecturally and historically significant structures for present and future generations. However, historic districts typically have stricter requirements for housing rehabilitation and prohibit demolition except in extreme cases. This often makes rehabilitation of a building more costly since methods must be utilized to preserve a building's historic nature.

Most of the communities in Delaware have fairly small historic districts if they have any at all. In some cases, such as Wilmington, a combination of multiple districts and the size of some of those districts may have some impact on redevelopment. Wilmington has nine different historic districts with at least three comprised of six or more blocks. Georgetown and Dover both have centrally located historic districts but they are fairly small in size and located in primarily commercial downtown areas. Historic districts also exist in other parts of the state outside of these four communities. In some of these areas, neighborhood conservation districts may be more appropriate, as they advocate guidelines for rehabilitation and preservation of distinctive architectural features, but they typically do not include the more restrictive regulations associated with designated historic districts.

### iii. Vacant Housing

Vacant housing units pose another problem for communities. The cost of removing these units to permit infill development can be significant. The City of Wilmington estimates that it would take approximately $70 million to demolish the 1,700 vacant units scattered throughout the city. In this situation, the vacant units pose a very real problem concerning housing availability and accessibility. Vacant, deteriorated units are occupying valuable lots in neighborhoods where revitalization and stabilization measures are desperately needed.

In cases where rehabilitation efforts cannot keep up with the sheer volume of substandard units, vacancies will continue to increase at an unmanageable rate as buildings become unsafe for occupancy. These vacant units become wasted residential spaces within the community, particularly in economically depressed neighborhoods. This severely limits residential opportunities within neighborhoods without significant public investment to spur private investment.

Vacant lots, vacant housing, and substandard housing are seen by many as problems that many not be able to be overcome. But they also provide opportunities for revitalization through acquisition of many contiguous parcels to make a more significant impact in the community. Revitalization of these areas is necessary for long-term urban stability and viability of a community's housing stock. Residential areas adjacent to downtowns are prime targets for revitalization, as their location naturally gives them a higher profile. Preserving the best homes, removing vacant and blighted structures, and introducing new infill residential development is needed to revitalize these neighborhoods.

### iv. Inadequate Demolition

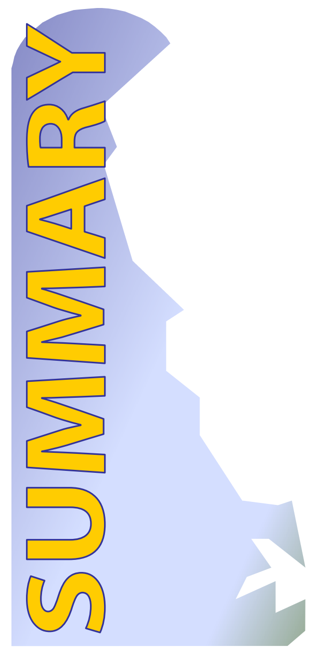
If vacant and deteriorated units are not replaced, there are fewer housing options available for residents. This can be a significant issue in urban areas with a declining population and an older housing stock. Housing rehabilitation and demolition programs are typically two popular options available to preserve and maintain affordable housing while clearing other lots of units that cannot be salvaged. Low and moderate income households lack adequate financing to undertake such endeavors unassisted. Additionally, hesitancy on the part of private investors to risk capital in uncertain neighborhoods means the burden of neighborhood revitalization falls primarily on federal, state, and local governments.

### v. Lead Based Paint Abatement

The rehabilitation costs of deteriorated properties can be exceptionally costly, particularly if health, safety, or environmental issues such as lead based abatement paint arise. In older homes, this issue is common, considering that approximately 61 percent of the 2000 housing inventory in Delaware was constructed before 1980. Lead paint regulations designed to reduce the amount of lead in paint were not enacted until 1978. This places over half of the housing in Delaware at risk of having lead based paint. In order to address this potential threat, the state, all three counties and the four communities all have regulations relating to lead based paint issues.

The guidelines were established to address lead based paint issues in existing housing rehabilitation programs. In Dover, the Delaware Department of Public Health enforces a lead based paint abatement program. Children diagnosed with lead poisoning by public health centers are referred to a state lead based paint inspector who will inspect the affected property. If lead is present, abatement is required. Since it is not uncommon to find low and moderate income households residing in older and poorly maintained housing stock, there is a greater risk among these households for exposure to lead-based paint.

**2.8 / HOUSING DEVELOPMENT ISSUES**
**B. IMPEDIMENTS TO HOUSING DEVELOPMENT & REDEVELOPMENT**




- **Barriers to rental housing development are manifold: land costs, limited resources at both the federal and state level in comparison to needs, and NIMBYism: strong community preferences for single-family and owner-occupied housing often result in vocal opposition to development of higher density affordable housing.**

- **Good planning is needed to encourage reuse and redevelopment of land and housing in areas that have already been developed. There is often significant land within existing growth areas available for development and significant housing stock in need of rehabilitation. Using this land and redeveloping this housing is, however, often a challenging prospect. Even with restrictions and multiple layers of regulatory involvement, new development in outlying areas can be easier, more profitable (at a larger scale), and more predictable for developers than reuse and redevelopment within towns and cities.**

- **Reducing barriers to redevelopment is a necessary part of state and local strategies to direct growth and preserve open space. Further, vacant, abandoned, and blighted properties can threaten neighborhood stability and viability. The challenge is to balance the important requirements for issues such as historic preservation, building code, and lead-based paint with the costs they can impose on redevelopment.**