

Housing Delaware's Extremely Low-Income Households



**A REPORT FROM THE ELI WORKING GROUP
DECEMBER 2009**

Background



- Affordable rental housing for households with extremely low incomes (<30% of median) is a primary housing need in Delaware.
- Existing programs serve these households, but needs far exceed resources.
- Many current federal resources available to create new affordable rental housing do not target these households.

Background



- In 2008, Delaware State Housing Authority (DSHA) convened informal working group to:
 - Review needs
 - Review existing resources; and
 - Investigate strategies to address these needs.
- Working group includes nonprofits, funders, lenders, local jurisdictions, and others.
- Focus on strategies to create new rental housing opportunities for extremely low-income households.

Extremely Low Income Thresholds

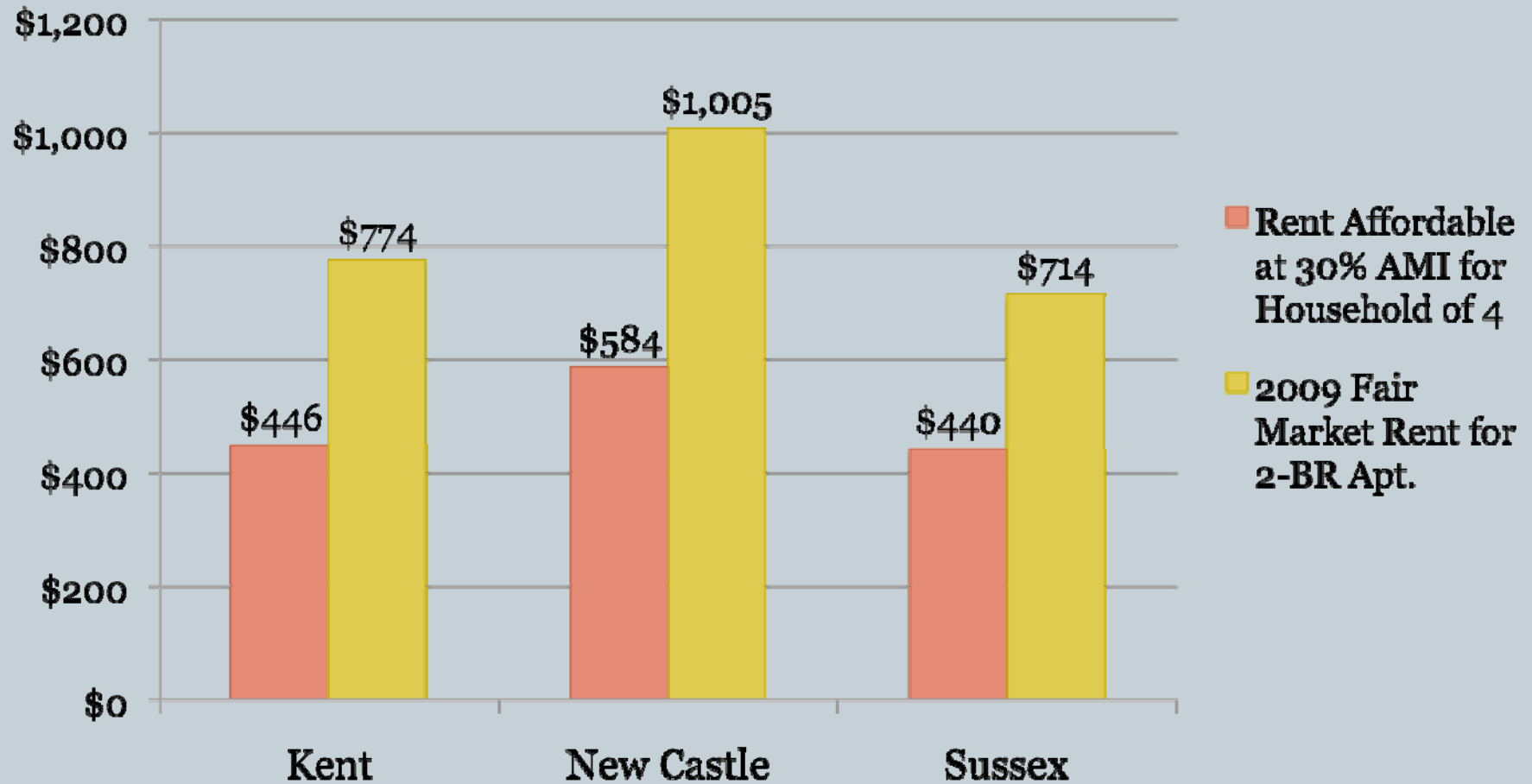


30% of Area Median Income by Household Size, 2009

Household Size	1	2	3	4
Kent	\$12,500	\$14,300	\$16,050	\$17,850
New Castle	\$16,350	\$18,700	\$21,000	\$23,350
Sussex	\$12,300	\$14,100	\$15,850	\$17,600

- 2008 poverty threshold for family of four: \$21,190
- A full-time worker earning the minimum wage in Delaware (\$7.15/hour) would have an annual pay of \$14,872.
- An individual relying on Supplemental Security Income (SSI) has a monthly benefit of only \$674 – enough to afford a monthly rent of only \$202.

Affordability Gap for Households with Extremely Low Incomes



Sources: HUD Area Median Income and Fair Market Rents. Affordable rent calculated as 30% of monthly income.

Cost-burdened Extremely Low-Income Households



- A household is considered cost-burdened if it is spending more than 30% of its income on housing costs.
- Spending more than 50% of income on housing costs is considered severe cost burden – these households are very precariously housed and at high risk of homelessness.

Cost-burdened Extremely Low-Income Households Estimate, 2005

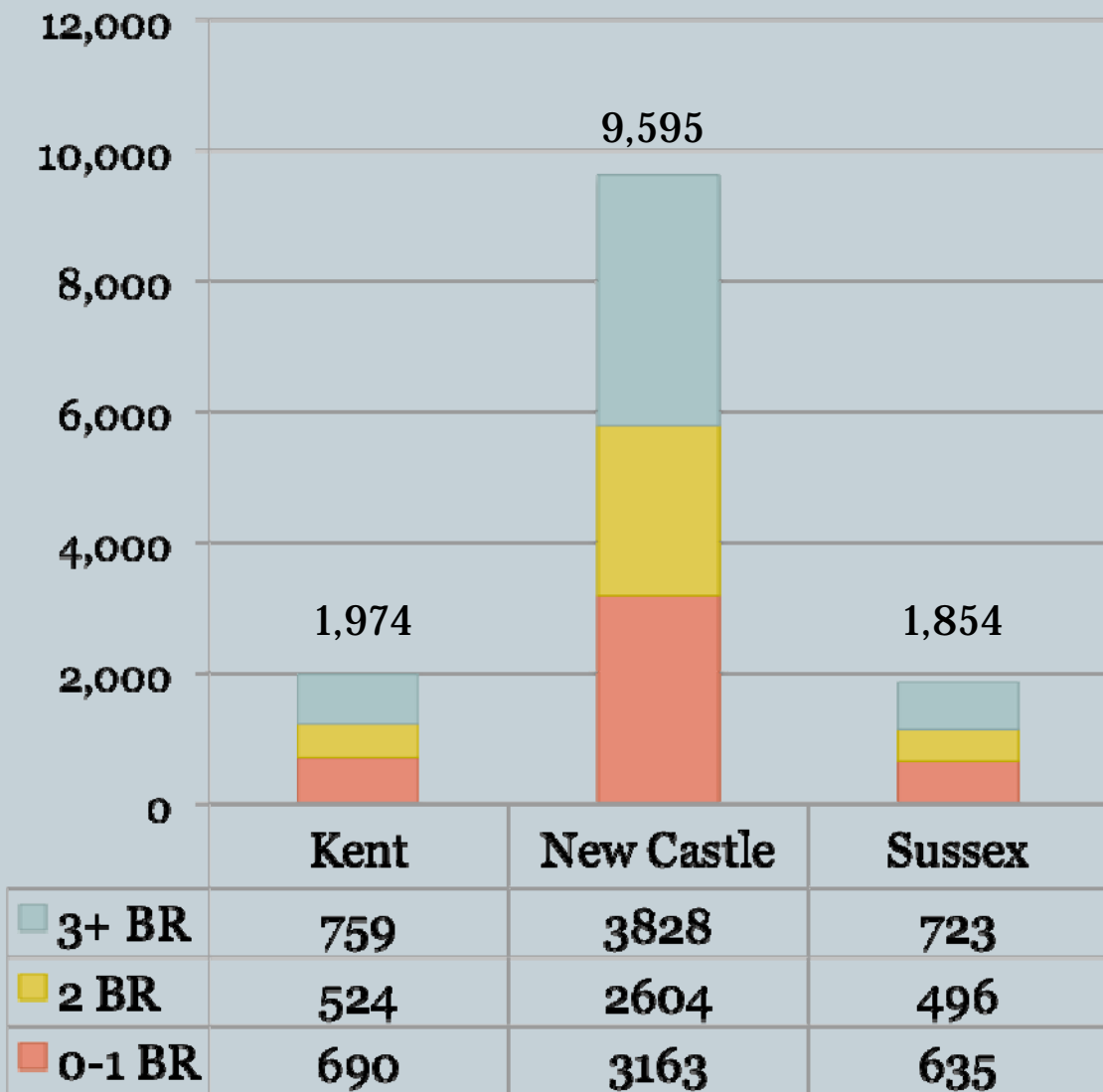
	Cost Burden (over 30%)			Severe Cost Burden (over 50%)		
	Renter	Owner	Total	Renter	Owner	Total
Kent	1,974	2,932	4,906	1,879	2,021	3,900
New Castle	9,595	6,529	16,124	9,157	5,588	14,745
Sussex	1,854	4,980	6,834	1,522	3,735	5,257
Delaware	13,422	14,414	27,836	12,550	11,127	23,677

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



Estimate of Units Needed

There is a need for 13,422 rental units affordable to extremely low income households in Delaware. This is a mix of new units to be added to Delaware's housing stock and assistance for households who are currently housed but in need of rental assistance.



Homelessness



- The recession has led to clear increases in poverty nationally (12.5% in 2007 to 13.2% in 2008) and consistently high poverty in DE (10.3% in 2007 and 2008)
- Projections are for poverty and deep poverty (households with income below 50% of poverty level) to continue to increase as unemployment rates remain high (8.3% in DE in Sept. 2009).
- Thousands of Delaware households were facing severe needs before the recession: an estimated 13,422 extremely low-income renter households were cost-burdened in 2005.
- All of these conditions contribute to housing instability and high risk of homelessness.

Sources: U.S. Census Bureau, *Income, Poverty and Health Insurance Coverage in the United States: 2008*; Delaware Department of Labor, *Monthly Labor Review July 2009*; Center for Budget and Policy Priorities; *Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty*; Delaware Housing Coalition, *Housing Needs of Extremely Low-Income Households in Delaware*.

Homelessness



- Homelessness is, at root, an affordable housing issue.
- The housing situations of extremely low-income households who are cost-burdened are often insecure and precarious, putting them at high risk for homelessness.
- Some, such as individuals with disabilities, may need supportive services to remain in housing and live independently.
- An estimated 6,759 individuals are homeless in Delaware over the course of a year.

Federal Programs



- Federal programs serving ELI households have not grown in pace with increasing needs:
 - Public Housing
 - Project-based subsidy programs
 - Housing Choice Vouchers
- Researchers estimate that federal housing assistance reaches as few as one in four to one in five households in need, and growth in new programs is almost always offset by losses in others.
- For example, increases in Housing Choice Vouchers occurred as hundreds of thousands of units with project-based subsidies were lost.

Sources: Peeletier, D. & Wardrip, K.E. (2006). Recent Data Shows Continuation, Acceleration of Housing Affordability Crisis (Research Note #06-05). Washington, DC: National Low Income Housing Coalition. Also: Rice, D. & Sard, B. (2009). Decade of Neglect has Weakened Federal Low-Income Housing Programs. Washington, DC: Center on Budget and Policy Priorities.

The Challenge



- Making housing affordable for ELI households requires rental subsidies (project-based or tenant-based), either ongoing or built into a project's financing.
- There are few to no new resources for new subsidized rental housing.
- The Low-Income Housing Tax Credit (LIHTC) program has emerged as primary federal program for creating or rehabilitating rental housing.
- It targets households at 50-60% of median income, and it is very challenging to reach ELI households with LIHTC without another source of subsidy.

Current Programs: Delaware's Situation



- **Delaware has a substantial existing stock of project- and tenant-based subsidies and units (approximately 19,500 units statewide)**
 - Value of federal subsidies assisting these units: approx. \$80 M
 - Vast majority are in programs no longer being expanded with new units, and where existing units might be at risk.
 - Many programs with slightly higher income limits (Housing Choice Vouchers, public housing, and others) serve a majority ELI households.
- **Without these units, the number of extremely low-income Delaware households in need would likely double.**

Existing Housing in Delaware



Program	Units	Population Served	Approximate Annual Federal Subsidy
Housing Choice Vouchers	4,735	<80% of median	\$32,426,526
Public Housing	2,682	<50% of median	\$11,657,600
LIHTC*	4,602	<50 – 60% of median	n/a
Section 202/811	891	Elderly and Individuals with Disabilities	Not available
Project-based Section 8	4,721	<50% of median, many elderly	\$31,703,521
Rural Development	1,695	<50% of median	\$4,763,251
Other Income-Restricted	121	Mixed	n/a
Total	19,447		\$80,550,898

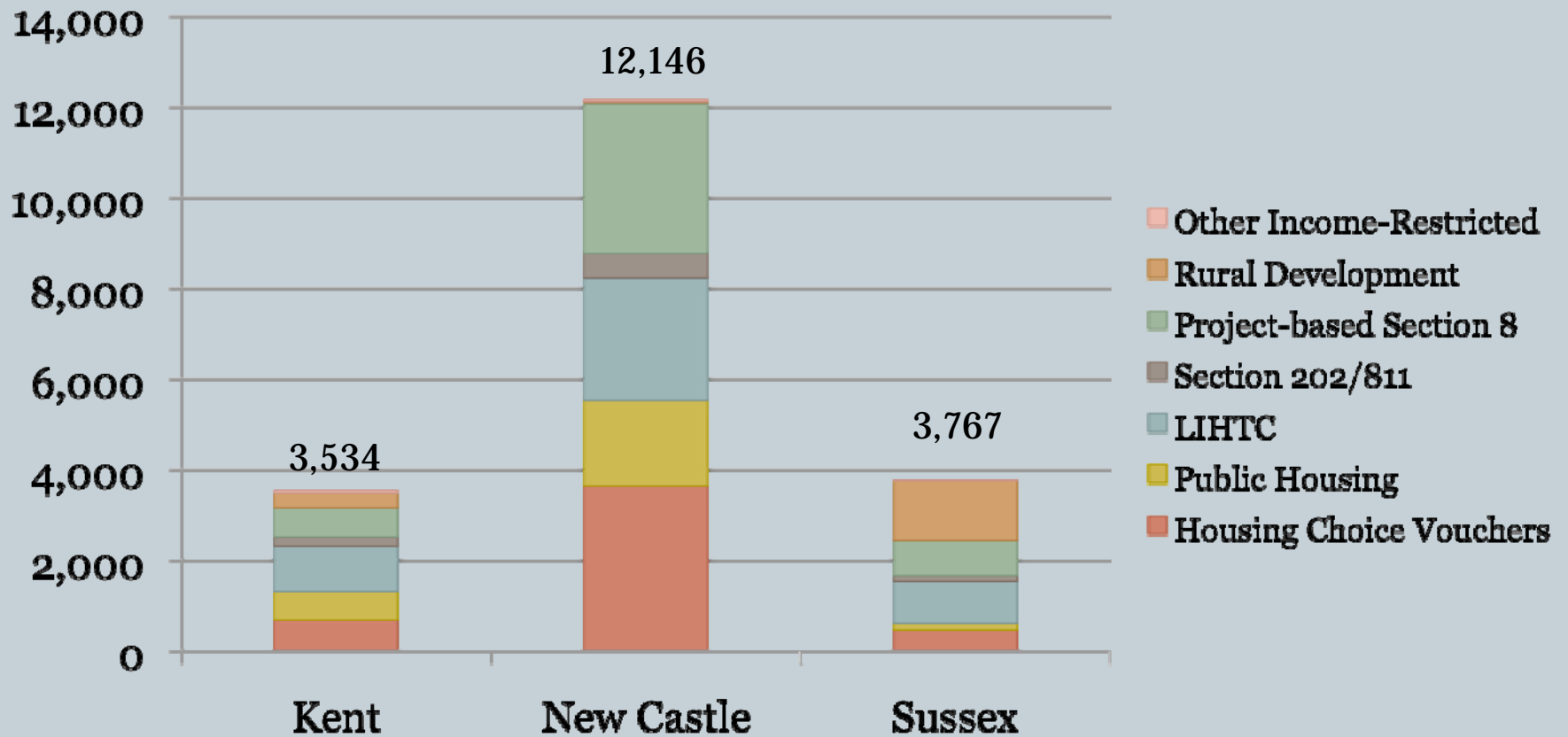
** 1,248 LIHTC units also have Section 8 and 614 also have Rural Development subsidies. There are a total of 6,484 LIHTC units, but 1,862 are counted under Project-based Section 8 or Rural Development.*

Sources: DSHA Housing Inventory, HUD Office of Public Housing Philadelphia, FY 2008 Funding, USDA Rural Development.

Existing Housing in Delaware



Subsidized & Restricted Housing by County



Sources: DSHA Housing Inventory, HUD Office of Public Housing Philadelphia, FY 2008 Funding, USDA Rural Development.

Current Programs: Delaware's Situation



- Even though the LIHTC program is targeted to households at 50-60% of median income, rents are often affordable to lower-income households.
- Analysis showed that 40% of households in LIHTC sites in Delaware had incomes <30% of median (ELI households)
- Among sites where LIHTC was combined with other subsidies, 69% had incomes <30% of median.
- Despite challenges, the LIHTC is reaching some ELI households.
- Issue is that these units are most often not restricted to be available to ELI households, and the rents are not restricted to be affordable to ELI households.

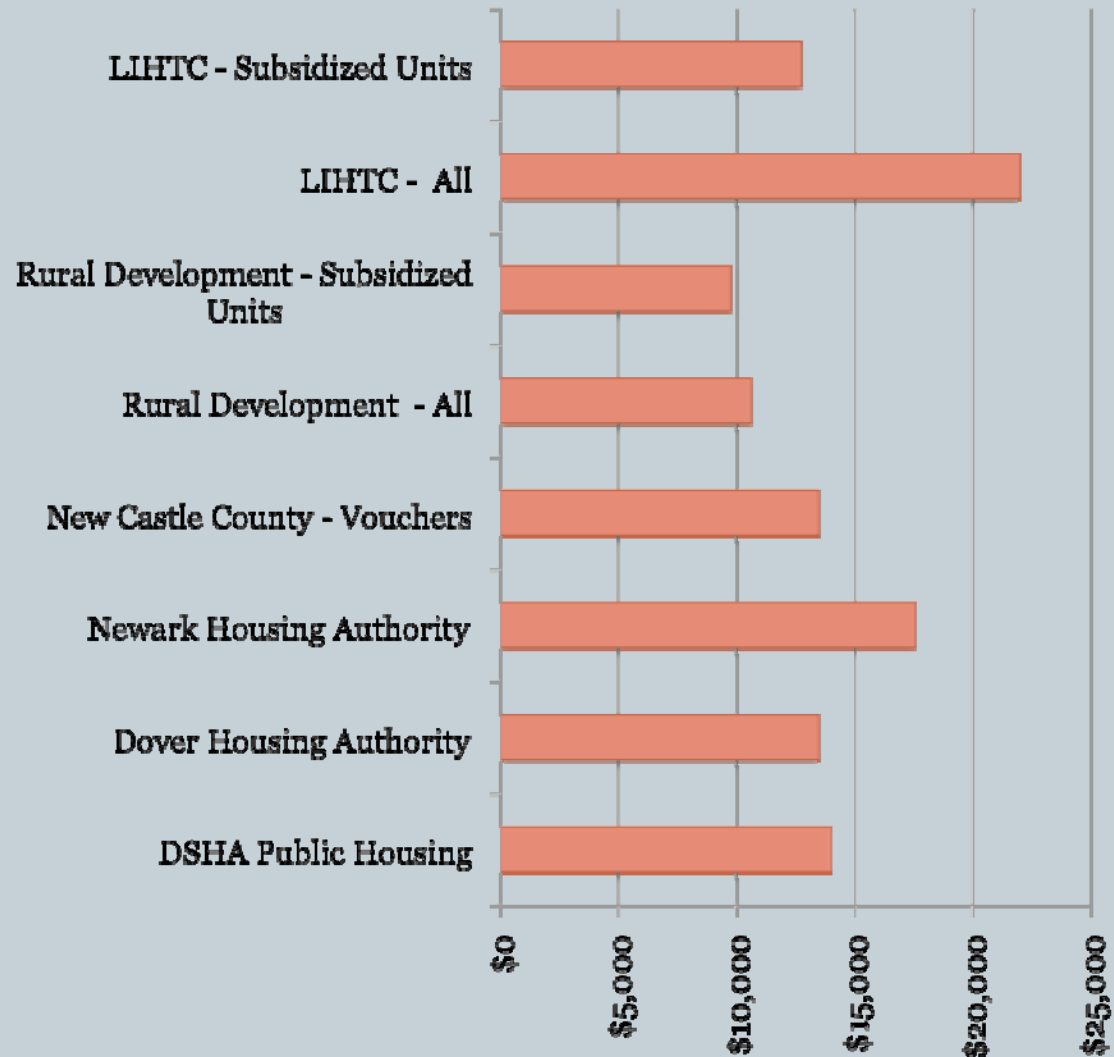


Programs Serving ELI Households

Many federal programs with slightly higher income limits still primarily serve ELI households.

Average tenant income for these programs, where available, demonstrate that these programs are indeed serving many extremely low income households in Delaware.

Average Tenant Income



Sources: DSHA 2010 Moving to Work Annual Plan; 2009 Rural Development Multi-Family Housing Annual Occupancy Report; Public Housing Authorities; DSHA LIHTC data

Current Resources

Supporting Existing Housing

- **Federal**
 - Public Housing (no new units)
 - Housing Choice Vouchers (limited new vouchers)
 - USDA Rural Development
 - Project-based Section 8 (no new units)
 - Section 202 and 811

Resources for New Creation

- **Federal**
 - LIHTC (targets 50-60%)
 - HOME
 - Section 202 and 811 (limited)
 - USDA Rural Development (very limited)
 - Possible future resource: National Housing Trust Fund (targets 30%)
- **State**
 - Housing Development Fund (only state flexible resource to address all needs)

A Promising Potential New Resource



- **National Housing Trust Fund**
 - Priority of national advocates for several years
 - First new federal resources for rental housing in many years
 - 75% of funds targeted to housing for extremely low-income households; 90% for rental housing
 - Created in Housing and Economic Recovery Act (HERA) of 2008
 - Original dedicated revenue source (contributions from Fannie Mae and Freddie Mac) on hold indefinitely, advocates seeking new funding source for 2010.

Recommendations



- Working group investigated strategies used in other states, evaluated potential strategies for Delaware
- Set of short- and long-term recommendations
 - Short-term: using existing resources
 - Long-term: development of new resources
- Not a perfect list of solutions – still many challenges
- Hope recommendations will encourage further discussion and thinking about how to address needs of households with extremely low incomes.

Short-term Recommendations



- **Low Income Housing Tax Credit (LIHTC) Program**
 - Expand on subsidy reserve model used in one demonstration project
 - Look at other methods to encourage inclusion of units for special populations in LIHTC projects
 - Consider setting a minimum percentage of LIHTC units required to be affordable to ELI households
 - Continue to target tenant-based rental assistance programs to use LIHTC units
- **Formalize ELI Needs as Priorities: Target Flexible Funding Sources**
 - Target funds to projects serving ELI households

Short-term Recommendations



- **Identify a statewide commitment to ELI needs**
 - State and local government-wide recognition of ELI needs as primary housing needs
- **Plan for the National Housing Trust Fund (NHTF)**
 - Plan strategically, cooperatively, and in advance for how these potential new resources may be most effectively invested to serve ELI households in DE
- **Needs of ELI Homeowners**
 - Further examine complex needs of ELI homeowners and strategies to address them

Long-term Recommendations



- **Low Income Housing Tax Credit (LIHTC) Program**
 - Expand on subsidy reserve model with additional resources.
- **State Tax Credit Program**
 - Pursue the creation of a state tax credit program to supplement the federal LIHTC in Delaware.
- **Public Housing Authorities**
 - Preserve and support the preservation or redevelopment of Delaware's public housing units.
 - Improve communication and cooperation among public housing authorities.

Long-term Recommendations



- **Inclusionary Housing (IH) Programs**
 - Include rental housing in inclusionary housing programs, and connect units created through IH programs with other sources of assistance to reach lower-income households.
 - Include right to purchase provisions allowing nonprofits or public agencies to purchase units to increase affordability.
- **Source of Income Discrimination**
 - Pursue the addition of source of income as a protected class in Delaware's fair housing laws.
- **State Rental Assistance Programs**
 - Pursue continued expansion of existing programs targeting rental assistance with supportive services to the homeless.
 - Explore the creation of a general rental assistance pilot program for Delaware prioritizing ELI households.

Path Forward



- **The Working Group hopes for:**
 - Increased recognition of the needs of extremely low-income households as the state's most pressing housing need
 - Steps to make the needs of the most precariously housed a priority in planning and funding of affordable housing at the state, county and local level
 - Ongoing discussion about strategies to reach ELI households in Delaware and cooperation among funders and jurisdictions