

The Housing Journal

Published by the Membership of the Delaware Housing Coalition



The Fair Market Rent for a two-bedroom apartment ranges from a low of \$661 in Sussex County to a high of \$923 in New Castle—an increase of as much as 20% since 2004. A Delaware family must earn \$16.31 per hour—or \$33,925 annually—to afford an average two-bedroom apartment. At least 229,000 workers are in occupations with median wages below that amount.

--from *Who Can Afford to Live in Delaware?* (May 2007)

The Housing Journal

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The Delaware Housing Coalition
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The Housing Journal is published by the membership of the Delaware Housing Coalition to promote thought, discussion and action on housing issues. Readers' contributions of all forms are warmly encouraged.



DHC is a nonprofit, tax-exempt organization. Our United way (Delaware) non-member designated giving number is 09294.

The MISSION of the Delaware Housing Coalition is to advocate for safe, decent and affordable housing throughout the state. Our goal is to affect, impact and shape the environment relating to housing. We are committed to fostering the growth and long-term flourishing of grass roots constituencies which develop their power; nurture their own problem-solvers and leaders; and work together to change the conditions which prevent them from obtaining safe, decent and affordable housing.



Cover: DHC Day for Housing participants in front of Legislative Hall, Dover, May 9, 2007

Who Can Afford to Live in Delaware?

In May 2007 Day for Housing, the Delaware Housing Coalition released its first annual report on housing affordability in the state. Authored by local economist and housing advocate, Jeanine Kleimo, *Who Can Afford to Live in Delaware?* concludes that the state has a growing affordability problem. Some of the key findings and a summary of the recommendations are presented here.

For the complete report, please go to the publications page of the DHC website.

Homeownership

- In 2006, the median purchase price for a home in Delaware ranged from \$279,900 in Sussex County to \$227,500 in New Castle County. Price increases since 2000 have ranged from 74% in Sussex County to 50% in New Castle, while Kent County's median price of \$228,000 represents an almost 99% increase.
- Median income in Delaware ranges from approximately \$55,000 in Kent and Sussex to \$72,100 in New Castle County.
- To purchase a typical median-priced home (\$228,000), Delaware residents require annual income of at least \$60,000. This means that only in New Castle County can residents earning the median income afford to become homeowners.

Incomes

- Only an estimated 150,000 Delaware workers (36% of the total) earn enough to afford the typical house price of \$228,000.
- 45,732 Delaware families pay

30% or more of their income for their mortgage and other housing costs.

- 47,690 Delaware families have incomes below \$35,000, making it difficult for them to afford to buy or to rent adequate housing.
- 84,060 workers have median wages below that needed to rent a two-bedroom apartment at the Fair Market Rent in the most populous county.

Renters

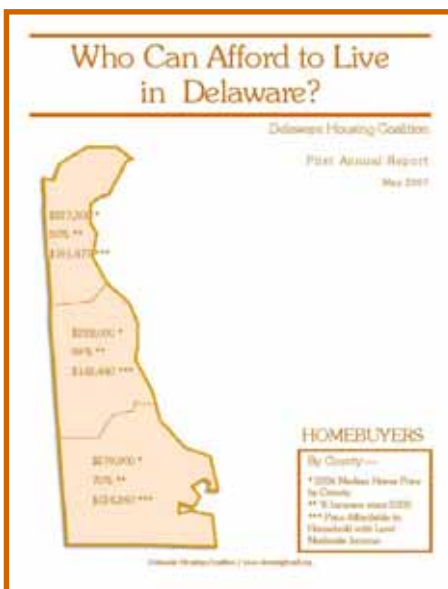
- The Fair Market Rent for a two-bedroom apartment ranges from a low of \$661 in Sussex County to a high of \$923 in New Castle—an increase of as much as 20% since 2004.
- A Delaware family must earn \$16.31 per hour—or \$33,925 annually—to afford an average two-bedroom apartment. At least 229,000 workers are in occupations with median wages below that amount.
- 59% of all workers in New Castle and Sussex Counties and 57% of all workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.
- Over 11,000 extremely low-income households in Delaware pay more than half of their income for rent, and there is a shortage of 12,000 affordable rental units.

Homelessness

- Over 26,000 households are severely burdened, paying over 50% of their income for housing.
- 7,000 Delawareans experience homelessness each year, with over a thousand chronically homeless.

WHERE DO WE GO FROM HERE?

- Assertively address, rather than react to, housing challenges
- Review and reform the way housing is administered and financed
- Designate adequate dedicated revenue for the HDF
- Prioritize the extremely poor and the severely cost – burdened
 - Set ambitious goals with clear cost estimates
- Preserve or replace on a one-for-one basis all housing for the very poor
- Use the CLT model to preserve subsidy and make some affordability permanent
- Make affordable housing a pre-requisite of growth
- Create county-level affordable housing incentives and trust funds
- Take measures to preserve manufactured housing as an affordable housing option



Our Mansion Problem

Stan Cox

In Los Gatos, Calif., controversy has raged this summer over the city planning commission's approval of a proposed hillside home that will occupy a whopping 3,600 square feet – and that's just the basement. Atop that walkout basement will be 5,500 more square feet worth of house.

The prospective owner says he'll build to "green" standards, but at the Aug. 8 meeting where the permit was approved, the city's lone dissenting planning commissioner stated the obvious when he told the owner, "You have a 9,000-square-foot house with a three-car garage and a pool. I don't see that as green."

The just-popped housing bubble has left behind a couple of million families in danger of losing their homes to foreclosure. It has also spawned a new generation of big, deluxe, under-occupied houses bulked up on low-interest steroids.

The National Association of Home Builders (NAHB) estimates that 42 percent of newly built houses now have more than 2,400 square feet of floorspace, compared with only 10 percent in 1970. In 1970 there were so few three-bathroom houses that they didn't even show up in NAHB statistics. By 2005, one out of every four new houses had at least three bathrooms.

Smaller families are living in bigger houses. In the America of 1950, single-family dwellings were being built with an average of 290 square feet of living space per resident; in 2003, a family moving into a typical

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new house had almost 900 square feet per person in which to ramble around.

Not surprisingly, monster houses are especially popular in Texas; in Austin, regarded as the state's progressive haven, 235 new houses of at least 5,000 square feet each were built in a single recent year; 41 of them had between 8,000 and 29,000 square feet. In the size of our dwellings, North Americans are world champions. The United Nations says houses and apartments in Pakistan or Nicaragua typically provide one-third of a room per person; it's half a room per person in Syria and Azerbaijan, about one room in Eastern Europe, an average of a room and a half in Western Europe, and two whole rooms per person in the United States and Canada (not counting spaces like bathrooms, hallways, porches, etc.)

The U.N. defines a room as "an area large enough to hold a bed for an adult" -- at least 6 feet by 7 feet. That's not an uncommon size in many countries, but it's not exactly the kind of room that an American real-estate agent would be eager to

walk through with a prospective homebuyer.¹

To go along with those big primary homes, Americans now own 5.7 million non-rental vacation houses with a median size of 1,300 square feet; together, those second homes represent enough surplus living space to accommodate the nation's homeless population ten times over. Challenges to the oversized-house trend are being mounted across the country, most often on aesthetic grounds. Monumental bad taste can be morbidly fascinating (as when CBS's 60 Minutes paid a visit to the suburbs of "Vulgaria"², but a far more serious issue is the lasting environmental damage these incredible hulks can do. Since 1940, the average number of people living in an American home has dropped from 3.7 to 2.6, but the average size of new houses has doubled. That extra space has gone partly to free children from having to share a bedroom, partly to accommodate Americans' ever-growing bulk of material possessions³, and partly to make room for more lavish entertaining.

But if there seems to be no limit to the size of the material- and energy-hogging houses built in recent years, it's thanks most of all to that good old law of supply-and-demand run amok.

[A little brown house beats a big green one.](#)

The current slump notwithstanding, homebuilding continues to account for a big slice of the nation's

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resource consumption. For example, the manufacture and transportation of concrete to build a typical 2,500-square-foot house generates the equivalent of 36 metric tons of carbon dioxide.

Construction and remodeling of residences accounts for three-fourths of all the lumber consumed each year in the US. In this business, there's no substitute for good old-fashioned wood. Laid end-to-end, the pieces of lumber required to build a typical 3,000-square-foot house would stretch for more than four miles.

In its review of the year 2004, the Western Wood Products Association (WWPA) crowed that "an all-time high of 27.6 billion board feet of lumber was used in residential construction, framing some 2.07 million housing starts recorded for the year. Lumber used in repair and remodeling surpassed 20 billion board feet for the first time in history." Consumption broke records again in 2005 for the fourth straight year, only to fall with the housing slump that began in 2006. Wood, unlike concrete, gets some credit for being a "renewable" resource. Spokespeople for the lumber and construction industries emphasize that they are taking greenhouse carbon out of the atmosphere and locking it away in wood-frame houses.

That's correct, as far as it goes; about half of the mass in a stick of lumber is carbon. But putting that wood into a house is a one-time capture, whereas the house itself will spend decades cranking out carbon dioxide and other greenhouse gases. Over a 50-year lifetime, greenhouse emissions caused by the standard American house account for 30 to 40 times⁴ the weight of the carbon that's socked away in its wood frame. The

bigger the house, the bigger the emissions.

Furthermore, with the currently popular focus on the sheer quantity of greenhouse gas emissions, the ecological impact of uprooting complex forest ecosystems in favor of industrialized wood plantations doesn't figure very prominently. And a "green"-built house can require almost 50 percent more wood⁵ than a standard house of the same size. Hard times in the housing market will

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provide forests and the atmosphere at least a little bit of much-needed rest.

The current bust has already curbed lumber consumption, although WWPA expects demand to "rebound" in 2009. Meanwhile, the American Chemistry Council reports that production of the plastic polyvinyl chloride (PVC) fell sharply in 2006. Environmentalists have long sought to stem the highly toxic production of PVC, 80 percent of which is used in construction.

But, as environmentally significant as construction materials are, it's estimated that only about one-tenth of a house's total energy consumption occurs while it's being built; the other 90 percent happens while it's being lived in. That can be reduced by "green" construction, but making green houses too big can cancel out all of those gains. A 2005 article⁶ in

the *Journal of Industrial Ecology* concluded,

A 1,500-square-foot house with mediocre energy-performance standards will use far less energy for heating and cooling than a 3,000-square-foot house of comparable geometry with much better energy detailing. Downsizing a conventionally framed house by 25 percent should save significantly more wood than substituting the most wood-efficient advanced framing techniques for that house. And it is easier to reduce the embodied energy of a house by making the house smaller than by searching for low embodied-energy materials.

Note the important word "geometry." To make oversized subur-

ban manors more interesting, builders tend to avoid boxy forms, loading up their product with multiple roof-lines and gables, dormers, bay windows, and other protuberances. Such houses have more surface area than does a squared-off house of the same size, thus requiring more fossil-fuel to cool and heat them. Additional energy is wasted by the longer heating/cooling ducts and hot-water pipes in a big house. And for a given house design -- "green" or standard, monolithic or pseudo-Victorian -- the bigger its square footage, the bigger its environmental footprint.

A question of "want"

Although American houses have been growing since World War II, the low mortgage rates and hot housing market of the past decade are widely credited with pushing square footage to record levels. It's partly simple

math and partly not-so-simple psychology -- and it's all about money.

At the interest rates prevailing in 2003, according to the *Wall Street Journal's* Jonathan Clements, you could buy a 40-percent bigger house and owe \$273 less per month on your mortgage than if you were buying the smaller house at 1983-level interest rates.

Of course, noted Clements, you could show some restraint, buy a smaller house at the 2003 interest rate, and save another \$281 per month. But the real-estate industry isn't all that interested in helping you downsize and stow the savings in your bank account or 401(k) plan. The question that the industry urges homebuyers to ask themselves is not, "How much do I want to save on my monthly house payment and utility bills?" but rather, "How much house can I afford?"⁷

The heavy-breathing house market of the past few years added to the pressure by shifting many buyers' emphasis away from acquiring shelter and toward making an investment. Within a given neighborhood, houses are sold more or less by the square foot. So in boom times, the bigger and more expensive the house you buy, the bigger the profit you can make by selling it a few years later.

The steep inflation in house prices that hit some cities during the bubble spurred big-home sales all across the country. At the height of the boom, the *Wall Street Journal* cited the example of a San Jose, Calif., couple who bought a 1,250-square-foot house in 2000 for \$415,000, sold it in 2004 for \$593,000, and bought a house in Bozeman, Mont., for \$425,000 -- a house nearly three times as large as the one they sold, giving them plenty of cash left over to fill it with furniture and appliances.

Ollie Bohnert, a real-estate agent in St. Louis -- where the housing boom-and-bust has been milder than in many other big cities -- says that she sees houses of all sizes selling well. From her experience with house shoppers, she told me, "Buying a big house is not a question of need but a question of 'want'." I asked her if, for a realtor, a big house has a bigger commission payoff per hour of time invested. She said, "Large

When questions of property rights and house size come up, things seem to move in only one direction, and that's up. Many neighborhood homeowner associations across the country mandate a minimum size -- often 2,500 to 3,000 square feet -- for new houses. Under their rules, property rights are sacrificed for the sake of perceived property values.

houses typically take a little more time, because there are a limited number of buyers. But it depends. I've had small houses sell quick, and I've had large houses sell very quick."

When you can't afford NOT to tear it down

Square-footage fever emerges in a doubly wasteful form in cities where normal-sized, sound, comfortable houses are being demolished to make way for bigger, more luxurious ones.

In North Carolina's thriving Raleigh-Durham-Chapel Hill triangle, demolition permits for single-family homes are currently being issued at the blistering rate of 42 per month. Speaking to the *Raleigh News and Observer* in June, the city's planning director described homeowners' motivation this way: "They have homes that are built in the '50s and '60s that are somewhat outdated for the lifestyle."

Last year, Les Christie of *CNNMoney.com* attempted to provide homeowners with an answer to the question, "Is your house a tear-down candidate?"⁸ He advised that "even beautiful homes in excellent shape can be torn down," if they have come to be surrounded by larger ones. But taking a wrecking ball to your home-sweet-home makes the most sense when real-estate prices are running wild.

Christie used the example of "a little bungalow" in suburban Dallas

valued at \$500,000. The demolition cost would be comparatively trivial, and it would cost a builder about \$600,000 to replace it with a "new, upscale house" of 3,000 square feet. In that situation, "if nearby new homes are valued at \$1.2 million or more," economic logic dictates that the owner of a perfectly good house should tear it down and replace it -- or sell it at a big profit to a mansion-building company that will demolish the house to get the lot.

Edmund C. Grant, an attorney in Lexington, Mass., who works in land-use and real estate law, told me that Lexington got an early start on the "mansionization" trend when 1950s- and '60s-era ranch and Cape-Cod style houses began being demolished in the 1990s to make way for houses two-and-a-half to three times their size. The trend drew renewed energy from the early-2000s boom, when, says Grant, "Property values rose 65 percent in just five years."

A long-time opponent of tear-downs, Grant sees the future as unpredictable: "It remains to be seen whether the jumbo loans that support these houses can continue" in light of the current turmoil in the mortgage industry. But, he laments, "There seems to be a certain inevitability about it. The trend started in older, more densely populated parts of the country [like Lexington], but it has spread to most markets. People object to the first teardowns that

Stan Cox (t.stan@cox.net) is a plant breeder and writer in Salina, Kansas. He is a senior research scientist at the Land Institute and author of the upcoming book, *Sick Planet: Corporate Food and Medicine*. This article was originally posted on the AlterNet on September 8, 2007 at <http://www.alternet.org/story/61523/> and is reprinted with the kind permission of the author.

happen in their neighborhood, but eventually, they seem to get used to it – especially when they see studies showing that teardowns tend to raise all property values in the neighborhood."

I asked Grant -- who was on his city's planning commission in the '90s and currently serves on its board of assessors -- if there have been attempts to put legal limits on square footage of houses in Lexington, as has been done in some other liberal cities like Boulder, Colo. To do so, it turns out, would actually be illegal, because Massachusetts state law forbids local governments to restrict the amount of indoor floor space that a house can have. "It's considered a property-rights intrusion," Grant says. Can the law be overturned? "I don't know. The real-estate lobby is pretty strong in this state."

When questions of property rights and house size come up, things seem to move in only one direction, and that's up. Many neighborhood homeowner associations⁹ across the country mandate a minimum size -- often 2,500 to 3,000 square feet -- for new houses. Under their rules, property rights are sacrificed for the sake of perceived property values.

An SUV that runs for 100 years?

The long-term impact of titanic houses parallels that of gas-gulping SUVs and pickup trucks. Sales of the big vehicles may be ebbing, but the buying binge of the past decade means they'll still be out there by the millions, belching pollutants, for years to come. In the same way, even if the mania for big houses fades, Americans will be stuck with heating, cooling and powering the millions of them already littering the landscape -- not for years like SUVs, but for decades.

To tackle the problems created by these multistory SUVs-without-

The heavy-breathing house market of the past few years added to the pressure by shifting many buyers' emphasis away from acquiring shelter and toward making an investment.

wheels in a resource-limited world, Don Fitz, editor of the Green journal *Synthesis/Regeneration*, has suggested a mathematically obvious but too-often overlooked solution: to have more people¹⁰ living in each house. For example, he says, extended families could regroup, or all-too-common municipal laws against unrelated people living under the same roof could be eliminated.

In the current climate, though, political pressures are pushing in precisely the opposite direction. In July, the commissioners of Cobb County, Ga., passed an ordinance requiring all houses in the county to have at least 390 square feet of living space per adult. The new law, widely seen as a weapon to be used against immigrant residents, would prohibit more than four people over 18 from living in a 1,600-square-foot house.

Very few houses now being built are as energy-efficient as they could be, and there is no good excuse for that. In one recent survey of 33 nonresidential green buildings across the country, their construction costs were found to average only about two percent more than what they would have cost had they been standard buildings.¹¹ Built according to specifications of the Leadership in Energy and Environmental Design (LEED) system, the green buildings are predicted to provide energy and environmental savings averaging about 75 cents per square foot per year over 20 years.

Yet such prospective savings, if they can also apply to single-family homes, might simply serve the indus-

try as yet another inducement that sells even more square footage -- as in, "Hey, with this bigger LEED house, you'll get a couple more rooms, and it'll be like you're heating and cooling them for free!"

Clearly, the issue of mansionization will have to be yanked out of the tangle of other housing issues and dealt with as a serious problem in its own right. The individual question, "How much house can I afford?" will have to give way to the public policy question, "How much house can we afford?" *♫*

NOTES:

- (1) A dozen such rooms would fit into a single bedroom in the surgeon's house described in this article: <http://www.deseretnews.com/dn/view/0,1249,695193773,00.html>
- (2) http://60minutes.yahoo.com/segment/50/living_large_real_estate_dreams last March
- (3) <http://www.pbs.org/wgbh/nova/worldbalance/material.html>
- (4) <http://www.mitpressjournals.org/doi/abs/10.1162/108819800569726>
- (5) <http://www.mitpressjournals.org/doi/abs/10.1162/108819800569726>
- (6) http://mitpress.mit.edu/journals/JIEC/v9n1_2/jiec_9_1-2_277_0.pdf
- (7) <http://www.google.com/search?num=50&hl=en&safe=off&q=%22how+much+house+can+you+afford%22&btnG=Search>
- (8) http://money.cnn.com/2006/11/16/real_estate/teardown_potential/index.htm
- (9) <http://www.alternet.org/envirohealth/51001/>
- (10) <http://www.counterpunch.org/fitz07052007.html>
- (11) <http://www.cap-e.com/ewebeditpro/items/O59F3481.pdf>

To tackle the problems created by these multistory SUVs-without-wheels in a resource-limited world, Don Fitz, editor of the Green journal *Synthesis/Regeneration*, has suggested a mathematically obvious but too-often overlooked solution: to have more people living in each house. For example, he says, extended families could regroup, or all-too-common municipal laws against unrelated people living under the same roof could be eliminated.

The National Housing Trust Fund Bill

Summary of the National Affordable Housing Trust Fund Act of 2007



www.NHTF.org

A home is the
foundation.

Funding of the Trust Fund: The goal of the Trust Fund is to construct, rehabilitate, and preserve 1,500,000 units of housing over the next 10 years. The bill seeks to accomplish this with funding from the proposed GSE Affordable Housing Fund (H.R. 1427), FHA savings that should result from the enactment of the Expanding American Homeownership Act (HR 1852), and any other sources of funds.

Formula under the Trust Fund: 60% of monies will go to participating local jurisdictions and 40% to states, Indian Tribes and insular areas. A 1% minimum amount floor is provided for each state. A proportionate amount must go to rural areas. If the total amount available in any year is less than \$2 billion, there is a \$1 million minimum funding threshold for local jurisdictions.

Targeting under the Trust Fund: All Trust Fund monies must be used for low income families (below 80% of median income). At least 75% of funds must go to extremely low-income families (below 30% of median income). At least 30% of funds must go to families with incomes below the SSI income limit.

Eligible Recipients of Trust Fund Monies: States and participating local jurisdictions are required to make Trust Fund grants to eligible recipients, which can be any organization, agency, or other entity, including for-profits, nonprofits, and faith-based organizations, that have demonstrated the experience and the capacity to carry out the proposed Trust Fund activity.

Eligible Uses of Trust Fund Monies: The bill would allow Trust Fund monies for construction, rehabilitation, acquisition, preservation incentives (including for manufactured housing and community land trusts) and up to 12 months of project based rental assistance. Funds may be used for both rental housing that is affordable and for down payment and closing cost assistance by first time homebuyers.

Prohibited Uses: The bill includes prohibitions against any funds being used for administrative costs or expenses, political activities, advocacy, lobbying, counseling, travel expenses, and preparation of or advice on tax returns. In addition there is a requirement that grantee develop systems to ensure program compliance, and require annual state fund use reports, and authority for HUD to impose penalties on states that do not comply with requirements, including requiring states and grantees to reimburse misused funds.

Matching Requirements of the Trust Fund: For every \$2 of Trust Fund monies, the bill requires matching funds of \$1 of state, local and private resources or for every \$1 of Trust Fund monies, \$1 in matching funds from federal sources. It allows for revenue committed by a jurisdiction to a Trust Fund-assisted project to provide services for residents to qualify as matching funds. It also provides for a reduced match where a zoning variance or other waiver of regulatory barriers was required to site Trust Fund-assisted housing. *✍*

EXCERPT:

Statement of Joe L. Myer
Before the
Committee on Financial Services
US House of Representatives
July 19, 2007

Chairman Frank, Ranking Member Bachus, Congressman Michael Castle from my home state of Delaware, and Members of the Committee, my name is Joe Myer and I am the Executive Director of NCALL, Research, Inc. and a current board member of the National Rural Housing Coalition.

Rural Housing Need

The rural population of this country has changed dramatically over the past century. In the 1900s, two thirds of the nation's population lived in rural areas. However, today, rural residents make up one fifth of the nation's population and live across 80% of the landmass.

According to the 2000 Census, there are 106 million housing units in the United States. Of that, 23 million, or 23 percent, are located in non-metro areas. Many non-metro households lack the income for affordable housing. The 2000 Census revealed that 7.8 million of the non-metro population is poor, 5.5 million of the non-metro population face cost overburden, and 1.6 million of non-metro housing units are either moderately or severely substandard. Most cost burdened households have low incomes and a disproportionate number are renters who account for 36% of cost burdened occurrences in rural areas.

According to the Economic Research Service, 30% of the 302 non-metro counties (537 counties total) can be defined as housing stressed which means that they met one or more of the following housing conditions in 2000: lacked complete plumbing, lacked complete kitchen, paid 30% or more of income for owner costs or rent, or had more than 1 person per room. The principal component of housing stress is high housing expenses relative to

income.

Over 5.6 million homes or 24% of the total occupied rural housing stock are renter occupied. Renters in rural areas are the worst housed individuals and families in the country. Renter-occupied households in rural areas are twice as likely to live in substandard housing as their owner counterparts. Approximately 5.2 million people or thirty-five percent of rural renters are cost-burdened, paying more than 30 percent of their income for housing costs. Almost one million rural renter households suffer from multiple housing problems, 60 percent of whom pay more than 70 percent of their income for housing.

Many of our nation's poorest residents are concentrated in rural areas that experience persistently high rates of poverty and are often invisible to the rest of the nation. These counties are often clustered within several high need rural regions and populations such as central Appalachia, the Lower Mississippi Delta, the southern Black Belt, the *colonias* along the U.S. Mexico border, and Native American lands. They also have higher proportions of minorities as well as higher poverty and unemployment rates.

Likewise, central and southern Delaware, our rural counties, have poverty rates higher than the state average and experience similar conditions previously described:

- * 45,732 families pay 30% or more of their income for housing costs.
- * 47,690 families have incomes below \$35,000 making it difficult to buy or rent adequate housing.
- * 57% of all workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.
- * There is a deficit of 12,000 affordable housing units for those with extremely low incomes.
- * Over 26,000 households are severely burdened, paying over 50% of their income for housing.
- * Nearly 7,000 residents experience homelessness during the year.
- * A majority of Delaware's 20,000 substandard housing units in need of major repair or replacement exist in rural counties.

Over the course of the past cen-

ture, the poor quality and condition of homes was the primary housing concern facing rural America. However, today it can be argued that affordability has replaced poor housing conditions as the greatest problem for low income rural households.

Rural households on average are poorer when compared to urban households. According to the 2000 Census, the poverty rate in rural America is 14.6 percent higher than the national rate. It is also higher when compared to the rate for big cities because rural households tend to pay more of their income for housing than their urban counterparts. According to the Economic Research Service over 400 nonmetro counties (out of a total of 2,308 nonmetro counties, based on 1993 metro-nonmetro definitions) had poverty rates of 20 percent or more in 2000, well above the overall nonmetro average. The same economic conditions can be found in Delaware where the median incomes in the two rural counties are 30% less than the metropolitan counties.

In the face of this need, rural housing spending for Agriculture Department programs has dropped by over 20% the last three years. The Administration's FY 08 budget request calls for elimination of most rural housing program serving low income households.

Another illustration of the drastic reduction in spending by the Agriculture Department is the USDA's Section 515 Rural Rental Housing program which funded the development of 11,542 units of affordable rental housing in FY 1994 in rural areas. Only 1,759 units were developed under the program in FY 02 reflecting an 85% reduction from the FY 1994 levels.

NCALL has directly felt the impact of such reductions in the rural housing programs at the Agriculture Department. NCALL has been responsible for packaging over 700 Rural Development 502 mortgages over two decades in Delaware and increased affordability gaps since the early 2000's have created more demand than ever for this rural homeowner-ship program.

Federal Programs for Rural Areas

A disproportionate amount of the nation's substandard housing is in rural areas. Rural households are poorer than urban households, pay more of their income for housing than their urban counterparts, and are less likely to receive government-assisted mortgages. For example, although the rural population is 22 percent of the nation's population:

- * Less than 7 percent of FHA assistance goes to non-metro areas. On a per-capita basis, rural counties fare worse with FHA, getting only \$25 per capita versus \$264 per capita in metro areas;
- * Only about 10 percent of Veterans Affairs housing programs reach non-metro areas and per capita spending in rural counties is only one-third that of metro areas;
- * Only 12 percent of section 8 funds go to non-metro areas; and
- * In 2003, Fannie Mae assisted a little more than 9 million families of which 4.5 million were low and moderate income. Of that number 11% or 990,000 families lived in rural areas of which 365,399 or 8% were low or moderate income.

In addition, there is far less Community Reinvestment Act investments, lending, and contribution activity in rural areas due to the fact most financial institutions are based in metropolitan areas.

On Housing Trust Fund Legislation

We are pleased to offer our support for the National Affordable Housing Trust Fund Act. Reinvigoration of federal housing policy is long over due. The resources that this legislation makes available will have a positive impact on the quality and quantity of affordable housing across the nation. Given high levels of housing distress in rural areas, the recent reductions in federal rural housing assistance and the low level of support for rural housing by other programs and entities, the National Rural Housing Coalition is especially pleased to endorse this legislation.

The Act will help provide resources for affordable housing that are desperately needed along with finance needs to help bridge increasing affordability gaps, especially in rural areas. ✍

www.naht.org

Delaware's Neighborhood Assistance Act

Sandra Spence

Many state governments, including Delaware, offer tax credits to encourage charitable donations to non-profit organizations that administer affordable housing and community improvement projects. A tax credit is a specific reduction in the amount of taxes an individual or organization owes and is different from a tax deduction, which reduces the taxable income of an individual or business. More than twenty states implement these programs by allocating money to approved non-profit organizations who then give out tax credits to individual or business donors.

Delaware's version of the state tax credit, called the Neighborhood Assistance Act, was amended in July to broaden its potential use and add flexibility in its administration. The original law and regulatory requirements were complex and burdensome. The law authorizes \$500,000 worth of credits each year. In the first six years, that totaled \$3 million and was worth \$6 million in program. According to Delaware State Housing Authority (DSHA) sources, only \$40,000 worth of credits were used in those first years.

Recognizing that the program was not working, the Governor's proposed budget for the current fiscal year recommended transferring program administration to the Delaware State Housing Authority which has considerable experience managing the federal rental housing tax credit. That proposal was supported by Senator Margaret Rose Henry, the primary sponsor of the original legislation. Senator Henry also recognized the cumbersome nature of the program and introduced additional legislation to simplify and broaden the scope of the program. That legislation was enacted about a half hour before the legislature recessed for the year in the early hours of July 1, 2007.

The Delaware program was conceived as an economic development incentive to assist impoverished areas. It restricted donors to those who file corporate income taxes and lim-



In-fill development in Belvedere by Interfaith Community Housing Delaware, making use of modular housing component.

ited the types of non-profits that could receive donations eligible for the tax credit.

The amended law expands eligible donors to any individual or business that pays state income taxes. It also

Eligible Projects Under the Neighborhood Assistance Act

- "Community services" means any type of counseling and advice, emergency assistance or medical care furnished to individuals or groups in an impoverished area.
- "Crime prevention" means any activity that aids in the reduction of crime in an impoverished area.
- "Economic development" means any activity that aids in business development and ownership in impoverished areas.
- "Education" means any type of scholastic instruction to an individual who resides in an impoverished area that enables him/her to meet educational requirements for known job vacancies.
- "Housing" means any activity that aids in substantial renovation or new construction of rental or owner-occupied residences for low and moderate income families in impoverished areas.

allows for projects that assist not only impoverished areas but also low and moderate income families regardless of whether they currently live in an area designated as impoverished. 'Low and moderate income family' means an individual or family whose total household income is at or below 80% of the Area Median Income as established by the federal Department of Housing and Urban Development.

Eligible projects include community services, crime prevention, economic development, education, job training, and *housing*. Please see the box below for a legal definition of these categories.

DSHA plans to issue new guidelines to implement the revised program by November and to market the program widely throughout the state. There will be considerable pressure to include programs other than housing to ensure its broad purpose is achieved.

Related Developments

Habitat for Humanity International, in January 2007, selected Sussex County Habitat for Humanity (SCHFH) to undertake one of five pilot projects in advocacy, with a focus on securing a new state tax credit specifically for individuals or businesses that donate to non-profits that build or rehabilitate housing for low income households.

SCHFH was active in advocating for the transfer to DSHA and for the amendments to the Neighborhood Assistance legislation. We are now working with a variety of groups to increase public awareness of the housing need faced by Delaware's working poor and building a coalition to support successful implementation of the NAA and enactment of a new tax credit specifically for housing.

For more information, contact Sandy Spence at advocacy@sussexcountyhabitat.org or call the SCHFH office at 302-855-1153. ✍

Sandra Spence is Housing Advocate for Sussex County Habitat for Humanity. She also serves on the Board of the Delaware Housing Coalition.

A Summary of Homeownership Tax Credit Proposal
Sussex County Habitat for Humanity

- Homeownership Tax Credit” to address the significant and growing need for people who are working in the low income category to find affordable housing to buy.
- Tax credit for individuals or businesses who donate to a qualified non-profit that will use the funds to build or rehabilitate housing units for sale to low-income Delawareans.
- Tax credit mechanism: After deducting federal and state charitable donations, the business or individual who donates would take 50% of the donation off their remaining state tax liability.
- DSHA administered.
- Use in the construction or rehabilitation of houses for low income individuals or families.

- Delaware
- Housing
- Coalition
- Strategic Planning Goals
- 2007 ~ 2009
- 1. Promote the development, implementation, and funding of a comprehensive, coordinated and strategic statewide housing plan that meets the affordable housing needs of Delaware's residents
- 2. Elevate affordable housing to a priority position within state policy and budget
- 3. Identify and encourage integrated state and local land use policies which balance provision for affordable housing sufficient to meet the needs of Delaware's residents with concerns for open space, land conservation and smart growth
- 4. Insure that Delaware's affordable housing system focuses on creating housing opportunities for households with very low incomes (<50% of median income) and extremely low incomes (<30%)
- 5. Foster development of grassroots leaders and groups working to address their housing problems
- 6. Strengthen our Board of Directors
- 7. Assure that we have the financial resources to meet these goals

An Affordable Housing Trust Fund for Every County

Ken Smith

Concept

A housing trust fund (HTF) is established by government to receive sources of public revenue that are dedicated for the express purpose of producing and preserving affordable housing.

Currently, there are over 120 county housing trust funds in operation. There are almost 600 state and local housing trust funds in existence.

Delaware has one housing trust fund, the state's Housing Development Fund (HDF), which receives an annual allocation of approximately \$4 million.

Components

One aspect of all housing trust funds is some source of dedicated revenue which, through ordinance or legislation, funds its activity.

Another popular feature of housing trust funds is their flexibility. Local governments can determine which elements are most critical to the definition of how the funds may be used (e.g. income targeting, length of affordability) and work to have those components established in the state enabling legislation as a threshold for funding, which still leaves the counties with control over which local priorities will be met and which projects will be funded to meet those needs.

Another important element is a definition of the purpose of the program which the fund is implementing, including the affordable housing need to be addressed.

Most funds are publicly administered, with a community oversight component that includes some decision-making, rather than solely advi-

sory, functions.

Finally, funds usually are created and funded with the intention of reaching a goal, in terms of dollars available and number of units or households to be helped.

Considerations

Need for dedicated revenue. While almost all revenues coming to housing trust funds are "dedicated," the ideal is a continuous flow of funds that is regular, predictable, and automatic. It is best to establish a housing trust fund on at least one source of this type.

State revenue enabling legislation. Some states have passed enabling legislation which automatically makes counties eligible for a portion of increased revenues, such as from increases to document recording fees, if they are to be used for county affordable housing trust funds. Other states explicitly permit localities to adopt new revenue sources. Finally, in some states, a portion of the revenue from the state HTF is provided to match local commitments.

Other sources. Revenue for a county housing trust fund could include impact fees on nonresidential development, any permitted developer fees-in-lieu of participation from the inclusionary housing element, and deferred impact fees on affordable housing units whose affordability control periods end.

Target critical needs. While it is understandable that many affordable housing programs aim at serving families from 60% to 80% of area median income (AMI) or even higher, it is important for some programs to serve those with the most

critical housing needs, which invariably includes the needs of households at or below 50% of county median income.

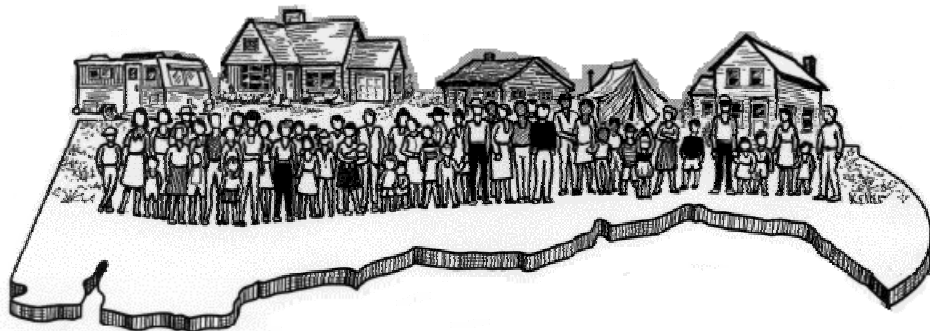
Building an inventory. Maintaining an extended or permanent affordability period for units created by public funds is the best stewardship of limited resources and has a multiplier effect over time for each unit that remains affordable, since it stays in the overall inventory of affordable units and needs no new public subsidy to do so.

Recommendations

The state's three counties should implement housing trust funds with a dedicated revenue source for the purpose of supporting the costs of the development of affordable housing and providing matching funds for federal and other housing grants, including the National Affordable Housing Trust Fund.

Kent, New Castle, and Sussex should work together and with the state's affordable housing advocates in order to create mutually beneficial state enabling legislation for the funding of county affordable housing trust funds.

The county housing trust funds should be administered within County government, with a community oversight board. This board would be comprised of representatives from nonprofit and for-profit housing developers, financial institutions, housing advocacy organizations, and community associations. ✍



British Conservative Party Proposal to Expand CLTs

The Conservative Party has launched an innovative new drive to extend home ownership by building on a model championed by Martin Luther King, and inspired by the Levellers of the English Civil War.

And Shadow Housing Minister Michael Gove is to lead a special taskforce which will investigate how to extend the use of Community Land Trusts in order to halve housing costs for a new generation of first-time buyers.

With land prices driving up the cost of housing in Britain today, and a dysfunctional planning system constricting the supply of land for new development, Mr Gove said: "The sad fact is that the dream of home ownership is literally that - a dream - for too many who cannot ever imagine finding the money for their first deposit on a flat or house.

"But we believe that by following the example set by visionary pioneers such as Dr King, that dream can become a reality for many more. That's why the Conservative Party is establishing a new taskforce to explore how we can bring down the barriers which stand in the way of this exciting route to ownership."

The Community Land Trust model is designed to promote greater social responsibility and community involvement in meeting housing needs, as well as giving young people opportunities they would not otherwise have.

Mr Gove will assemble a team of lawyers, landowners, existing CLT pioneers, planners and local government leaders to explore what the current barriers are to the rapid growth of the CLT model and propose solutions which will help unlock the

benefits of development for the community.

He explained that CLTs allow land to be released for development, and then owned in perpetuity by a not-for-profit organisation. Houses built on the land can then be made available to new purchasers at half the cost they would otherwise pay. Owners can sell on their properties in due course, and benefit from any increase in the value of the bricks and mortar which has developed over time. The land itself remains in the hands of the CLT.

CLTs also allow for those with limited incomes to get on the ownership ladder by giving families the chance to acquire an initial slice of equity in the property, typically by paying a fixed percentage of their income, and then as their circumstances change they can "staircase up" their level of ownership.

The Community Land Trust model was inspired by the vision of the Levellers and Diggers, radical democrats who fought on Parliament's side in the Civil War, who believed in community ownership of land. The idea was taken up by the Chartists in the Nineteenth Century and made a reality in 1903 with Ebenezer Howard's development of Letchworth Garden City.

CLTs have been particularly successful in America. Over the past 15 years more than 130 CLTs have been developed in both urban and rural areas of the States. The first CLT in the US was set up by Martin Luther King in 1967 to secure affordable access to land for African American workers.

from: <http://firstrung.co.uk/>

CLTs IN GREAT BRITAIN

There is a growing CLT movement in Scotland and England. Britain's first national conference on Community Land Trusts was held in Coventry on March 17, 2005, with Mike Brown of Burlington Associates providing the keynote address and leading several workshops.

Two excellent reports on CLT development in Great Britain have recently been published:

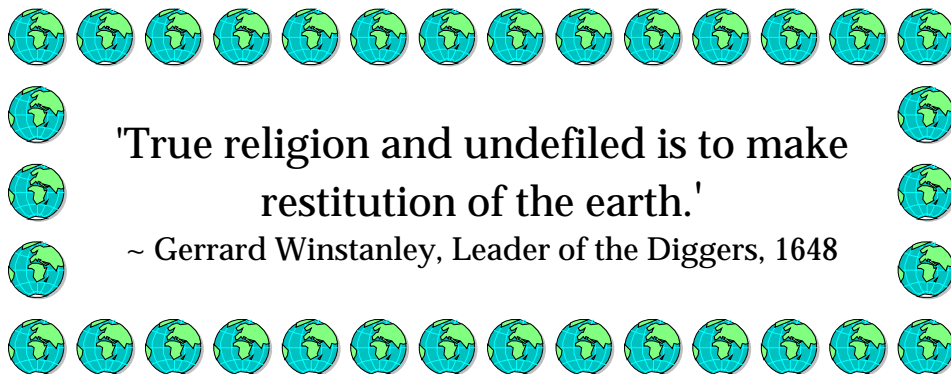
Common Ground - for Mutual Home Ownership, published on May 13, 2004, sets out the findings of a fifteen month research project commissioned by CDS Co-operatives, the largest co-operative housing service agency in London and the South of England. The report, prepared by a team of researchers from the New Economics Foundation, concludes that combining a shared equity co-operative with a community land trust "is a robust model that is attractive and urgently needs to be applied to solve the dire lack of low-cost key worker housing."

The report can be downloaded at: http://http://www.cds.coop/document_store/Doc120.pdf

Community Land Trusts and Mutual Housing Models is a major research report produced by the GLA Housing and Homelessness Unit for the Mayor of London. Published in January 19, 2005, this report recommends combining the CLT with limited equity cooperatives to provide affordable housing in London.

It can be found at: http://http://www.london.gov.uk/mayor/housing/docs/commnity_land_trusts_models.pdf

from Mike Brown, Burlington Associates



'True religion and undefiled is to make restitution of the earth.'

~ Gerrard Winstanley, Leader of the Diggers, 1648

“Affordable, Once and for All!”

Joint Membership Meetings of
The Delaware Housing Coalition
and
The Diamond State CLT

Friday, November 30, 2007
10:00 am to 2:00 pm
The Lobby House
Dover

\$25.00 (\$15.00/members)
Member Scholarships Available

10:00 am Business Meetings
11:30 am Keynote Address
12:00 pm Panel
12:30 pm Lunch
Legislative Recognitions
2008 Legislative Overview

Join us for an interesting morning,
plus two membership meetings for
the price of one!

Thanks to all of the
endorsers and par-
ticipants of Day for
Housing 2007!

Next year's
Day for Housing ~
May 6, 2008



- velopment Council
- Freedom Center for Independent Living
 - Habitat for Humanity of Sussex County
 - Hockessin Community Center Housing
 - Homebuilders Association of DE
 - Homeless Planning Council
 - Housing Opportunities of Northern DE
 - Interfaith Community Housing of DE
 - InterFaith Mission of Sussex County
 - League of Women Voters (DE)
 - Leon N. Weiner & Associates
 - Lutheran Office on Public Policy
 - Metropolitan Wilmington Urban League
 - Milford Housing Development Corporation
 - Millsboro Housing for Progress
 - NAMI DE
 - NCALL Research
 - Neighborhood House
 - Office of Community Services
 - St. Helena's Journey to Justice
 - State Council for Persons with Disabilities
 - Voces Sin Fronteras (Voices Without Borders)
 - West End Neighborhood House
 - West Rehoboth Community Land Trust
 - YWCA Delaware

DAY FOR HOUSING 2007

- ADAPT
- Appoquinimink Development, Inc.
- The ARC of Delaware
- Better Homes of Seaford
- Brandywine Counseling, Inc.
- Community Legal Aid Society, Inc.
- Connections CSP, Inc.
- Cornerstone West CDC
- DE Coalition Against Domestic Violence
- DE Community Reinvestment Action Council
- Delmarva Rural Ministries
- DE Federation of Housing Counselors
- DE Rural Housing Consortium
- Diamond State CLT
- First State Community Action Agency
- First State Manufactured Housing Association
- First State Resource Conservation & De-



GRATTITUDE

We deeply appreciate the contributions and new and renewing memberships and the support of the following people and groups:

- ✂ ARC of Delaware
- ✂ Citigroup Foundation
- ✂ Delmarva Rural Ministries
- ✂ Delaware General Assembly
- ✂ Deutsche Bank Trust Company Delaware
- ✂ Diamond State CLT
- ✂ Evangelical Lutheran Church in America
- ✂ First Bank of Delaware
- ✂ First State Resource Conservation and Development Council
- ✂ Housing Capacity Building Program
- ✂ JPMorgan Chase Foundation
- ✂ Leslie Holland
- ✂ Interfaith Community Housing Delaware
- ✂ GMAC Bank
- ✂ Kevin P. Kelly
- ✂ NCALL Research
- ✂ PNC Bank
- ✂ Leon N. Weiner & Associates



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HOUSING ADVOCACY NETWORK FOR THE DIAMOND STATE

You can help support safe, decent, and affordable housing in Delaware by joining HANDS with DHC.

WHO:
People collaborating to highlight and achieve affordable housing policies.

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An ongoing, responsive network focusing on *housing for all* in Delaware.

WHERE:
In your electoral district and every other in Delaware.

WHEN: NOW!

HOW:
Become part of a volunteer network of housing advocates from each General Assembly district.

For more information, contact:
Gina Miserendino, grassroots@housingforall.org, 302/678-2286 x1

To join HANDS! Online: www.housingforall.org/hands.htm

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