

Housing aid could have a big payoff

Every dollar spent on affordable housing could give a \$7 boost to state's economy

By MIKE BILLINGTON / The News Journal

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A \$60 million state investment in affordable housing would generate about 3,400 new jobs, more than \$43 million in additional tax revenue and result in a \$420 million boost to the Delaware economy, according to a study released Monday.

And that's saying nothing about the potential economic relief for low-income and working families struggling to cover the rising cost of housing.

Most of the economic kick comes in the form of added construction jobs, the purchase of raw materials and building permits and a "ripple effect" - newly hired construction workers spending money that translates into jobs in retail and the service industry. The study does not factor in an increase in disposable income from people moving into more affordable homes.

According to the study's authors, it would take about \$965 million to completely meet the state's affordable housing needs.

"Obviously, the state doesn't have those kinds of resources, so we can't do that in one year or even in five years," said Lorraine deMeurisse, a vice president at Deutsche Bank, a partner in the group that solicited the study.

But by adding \$8 million annually to the amount of money it currently spends on affordable housing, Delaware could provide reasonably priced living quarters for a significant number of families while driving the state's economy upward, the study shows.

"That makes this more than just a housing program," said Paul Calistro, executive director of Wilmington's West End Neighborhood House. "This is an economic stimulus package."

The study was released by the Housing Trust Fund Working Group, a loose collection of bankers, private and nonprofit organizations and concerned people that began meeting in 2003 to seek solutions to Delaware's chronic lack of affordable housing.

"The fact that a group such as ours could come together to work on this issue is an indication of the concern we have about the lack of affordable housing in Delaware," said Ken Smith, executive director of the Delaware Housing Coalition.

The group's members include representatives from the housing coalition, the Delaware Rural Housing Consortium, Deutsche Bank Trust Co. of Delaware, Interfaith Housing Delaware, JP Morgan Chase, NCALL Research Inc. and West End Neighborhood House.

According to the working group's research, more than 13,000 Delaware families currently live in homes that need at least \$30,000 in renovations to be brought up to state housing codes. Another 28,337 families are classified as "at risk" because they earn less than \$20,000 annually and currently spend more than 33 percent of their incomes on housing needs.

Finding the money to meet the affordable housing needs of Delaware families is complicated, said Dover economic consultant Mark Kleinschmidt.

Federal housing funds are decreasing, the competition for state funds is increasing and nonprofit agencies that work on housing-related issues don't have the money to

meet all their clients' needs, he said.

Kleinschmidt, who worked on the study, said the solution is to set aside the \$8 million in additional money annually in the state's existing Housing Development Fund to ensure there is cash on hand to pay for new construction and the renovation of affordable rental properties.

University of Delaware professor William Latham was the principal author of the economic impact study. He said Monday that the economic impact results of the study could easily be much higher.

Some states that have invested money in similar housing plans, he said, have reported economic impacts as high as \$25 for every \$1 invested. The national average is \$8 for each \$1 invested, he said.

The new Delaware study forecasts a \$7 return for each \$1 invested, he said.

"Ours is a very conservative estimate," Latham said.

The group's preliminary assessment of housing needs in the state shows that in the next five years Delaware will need 80,800 available homes at all income levels, including 18,600 new ones. The remaining 62,200 would be existing homes that are resold, Kleinschmidt said.

More than 50 percent of those 80,800 homes will be sought by people who earn less than \$75,000 a year, he said.

Affordable rental units will also be in big demand, he said.

In New Castle County, for example, there will be a demand in the next five years for 130 rental units for senior citizens, 400 for families and 862 for "at risk" families and individuals, he said. In Kent County there will be a need for 70 rental units for senior citizens, 505 for families and 146 for families and people considered "at risk."

In Sussex County there will be a need for 340 rental units for families, 250 for senior citizens and 1,290 for "at risk" families and individuals, he said.

Working group members said Monday they will now begin lobbying state lawmakers and Gov. Ruth Ann Minner to get the trust fund money set aside for the next four years.

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