HOUSING OPPORTUNITIES AND MARKET EVALUATION

FINAL REPORT
PRESENTATION TO THE SUSSEX COUNTY COUNCIL
OCTOBER 29, 2019
Sussex County HOME Study

**GOALS:** To formally evaluate housing needs and potential housing strategies in Sussex County after housing was identified as a critical issue during the comprehensive planning process.

To develop recommendations for public- and private-sector actions that can promote housing choice and economic vitality for Sussex County’s residents and workforce.
Why Housing Matters

**Families**
- Better physical & mental health
- Improved school performance
- Greater opportunities for economic self-sufficiency

**Communities**
- Equitable access to services and opportunity
- Ability for all to prosper, regardless of socioeconomic background
- Improved racial and economic integration

**Local Economy**
- Better able to attract and retain workers
- Shorter commutes, less traffic for all
- Support diverse businesses and sustainable economic growth
Project Process

Staff & Council Feedback

- Market Analysis/Needs Assessment
- Stakeholder Analysis
- Economic Analysis
Project Process

- Market Analysis/Needs Assessment
- Stakeholder Analysis
- Economic Analysis
Market Analysis/Needs Assessment

Sussex County is Unique
Market Analysis/Needs Assessment

Sussex County’s Population is Changing

Percent Change in Households by Household Type, 2007-2017

- Married Couple, w/ Children: 1.5%
- Married Couple, w/o Children: 44.9%
- Single Parent: -20.0%
- Other Family, w/o Children: -15.5%
- Living Alone (65+): 42.4%
- Living Alone (Under 65): -0.8%
- Other Non-Family, Not Living Alone: 15.7%

Source: U.S. Census Bureau, American Community Survey
Many workers in the County cannot afford housing

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Wage</th>
<th>Affordable Rent Level*</th>
<th>Affordable Homeownership Level**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>$43,739</td>
<td>$1,093</td>
<td>$306,173</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$27,423</td>
<td>$686</td>
<td>$191,961</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>$52,514</td>
<td>$1,313</td>
<td>$367,598</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>$20,233</td>
<td>$506</td>
<td>$141,631</td>
</tr>
<tr>
<td>Public Administration***</td>
<td>$46,254</td>
<td>$1,156</td>
<td>$323,778</td>
</tr>
<tr>
<td>All Jobs</td>
<td>$39,498</td>
<td>$987</td>
<td>$276,486</td>
</tr>
</tbody>
</table>

*One worker earning average wage  **Two workers earning average wage  ***Includes teachers, first responders and local and state government staff

Source: 2017 Delaware Department of Labor, Quarterly Census of Employment & Wages, LSA
Market Analysis/Needs Assessment

Many workers in the County cannot afford housing

| Income Limit ($) for a Households of Different Sizes |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 1-person       | 2-person       | 3-person       | 4-person       |
| 30% of AMI – Extremely Low Income | 15,200         | 17,350         | 21,330         | 25,750         |
| 50% of AMI – Very Low Income    | 25,250         | 28,850         | 32,450         | 36,050         |
| 80% of AMI – Low Income         | 40,400         | 46,200         | 51,950         | 57,700         |
| 100% of AMI                     | 50,500         | 57,700         | 64,900         | 72,100         |

# Market Analysis/Needs Assessment

**Thousands of residents are cost burdened**

## Housing Cost Burden by Household Income, 2017

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Percent of Gross Income Spent on Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $20,000</td>
<td>13% 30 to 49% 56% 50%+</td>
</tr>
<tr>
<td>$20,000 to 34,999</td>
<td>28% 30 to 49% 28% 50%+</td>
</tr>
<tr>
<td>$35,000 to 49,999</td>
<td>10% 30 to 49% 27% 50%+</td>
</tr>
<tr>
<td>$50,000 to 74,999</td>
<td>4% 30 to 49% 22% 50%+</td>
</tr>
<tr>
<td>$75,000 to 99,999</td>
<td>1% 30 to 49% 7% 50%+</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>0% 30 to 49% 3% 50%+</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Community Survey
### Market Analysis/Needs Assessment

Planning for future housing needs to address the County’s housing challenges and promote a strong community.

#### Annual Housing Targets

<table>
<thead>
<tr>
<th>Affordable to households at:</th>
<th>New Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30% AMI</td>
<td>99</td>
</tr>
<tr>
<td>30% to 50% AMI</td>
<td>131</td>
</tr>
<tr>
<td>50% to 80% AMI</td>
<td>171</td>
</tr>
<tr>
<td>80% to 100% AMI</td>
<td>112</td>
</tr>
<tr>
<td>100% AMI or greater</td>
<td>515</td>
</tr>
<tr>
<td>Total households</td>
<td>1,029</td>
</tr>
<tr>
<td>Vacant units</td>
<td>520</td>
</tr>
<tr>
<td>Total net new housing units</td>
<td>1,549</td>
</tr>
</tbody>
</table>

Not being delivered by the market currently.

Source: The Delaware Population Consortium Seasonal Vacancy Projection, 2015 Comprehensive Housing Affordability Strategy, LSA.
Project Process

- Market Analysis/Needs Assessment
- Stakeholder Analysis
- Economic Analysis

Staff & Council Feedback
Stakeholder Engagement

*Focus groups + interviews provided key context*

- County Council Members
- County Staff Advisory Group
- Developers + Builders
- Housing + Homelessness Advocates
- Advisory Committee on Aging + Adults with Physical Disabilities
- Towns
- Public Forums

**Housing Needs + Strategies**
Stakeholder Analysis

Key takeaways

- Sussex County’s affordability needs exist across the spectrum of income—from people experiencing homelessness to those earning above the median household income.
  - However, the most pressing needs are among renters below 60% AMI and homeowners below 100% AMI

- Builders and housing organizations would like clear direction from County Council and County staff on the priorities for affordable housing.

- State and federal funding for below-market-rate housing is limited which means it is necessary for local funds to be part of the solution.

- Housing strategies should be aligned with other County policies and investments, including around transportation and public education.
Project Process

Staff & Council Feedback

Market Analysis/Needs Assessment

Stakeholder Analysis

Economic Analysis
Economic Feasibility Analysis
Evaluated density as *one tool* to increase housing affordability

**WHY?**
- Limited to no participation in the existing programs (MPHU, SCRP).
- Determines appropriate density and affordability level that enables projects to set aside affordable units without government subsidy.

**HOW?**
- Two hypothetical development scenarios – multifamily rental and single-family homeownership.
- Developed cost, revenue, and profitability assumptions with a half a dozen builders and developers.
- Evaluated across 4 different submarket areas.
Economic Feasibility Analysis
Finding the right balance of profitability and affordability

Cost
- Soft Costs
- Hard Costs
- Land Costs

Net Revenue
- Rental Income
- Home Sales

Profit
Net Revenue - Cost

Diagram:
- Soft Costs
- Hard Costs
- Land Costs
- Rental Income
- Home Sales
- Net Revenue
- Profit
- Cost

Diagram showing the relationship between costs and revenues, leading to profit.
Economic Feasibility Analysis

Key Findings

• The existing incentives do not provide projects with enough density to realistically support income-restricted units while maintaining their financial viability.

• Homeownership projects need to achieve densities of at least **three units per acre** and rental projects need to achieve at least **twelve units per acre** in order to be financially feasible with some share of affordable units as part of the project.
Strategies +
Implementation Framework
Strategy Recommendations

Three Foundational Strategies

1. Modify the Zoning Code to Promote Housing Affordability in Growth Areas Identified in the Comprehensive Plan

2. Establish a Local Housing Trust Fund

3. Preserve the Existing Supply of Affordable Housing
Implementation Framework
A Series of Actions that Guide Implementation

**Short-Term**
- < 2 Years
  - Establish Policy
  - Collect Data
  - Updates to Existing Zoning Ordinances

**Mid-Term**
- 3-4 Years
  - Implement Pilot Programs
  - Create New Ordinances

**Longer-Term**
- 5 + Years
  - May Require Significant Analysis or Considerable Public Input to Finalize Details
STRATEGY 1:
Modify the Zoning Code to Promote Housing Affordability in Growth Areas Identified in the Comprehensive Plan

WHY?
A zoning code that permits a range of housing types can **help create a range of housing prices that naturally serve households with varying incomes**.

With appropriately scaled incentives, market-rate developers could set aside some affordable housing units **without public subsidies**.

Promotes diverse communities and **reduces concentrated areas of poverty**, creating housing options near employment centers.
Strategy 1

- **Incentivize Developers**
- **Expand Permitted Uses**
- **Re-Evaluate Density**

Re-evaluate density/site requirements and identify where land could be re-zoned as higher density and where site restrictions can be relaxed.

Expand areas where multifamily and manufactured housing is permitted.

Offer incentives to developers that promote income restricted housing in market rate projects.

*Photo: Beach Plum Dunes, Lewes, DE, Photo taken by LSA Planning*
Bonus Density Update

✓ Located in growth areas identified in the Comprehensive Plan

✓ Density bonus is secondary to site requirements

✓ Project designates a percentage of units affordable to households pursuant to the Set-Aside Tables

✓ Density increases should be permitted by right
## Proposed Set-Asides

**MPHU - Homeownership**

<table>
<thead>
<tr>
<th>Density Bonus</th>
<th>From 2 Units Per Acre to:</th>
<th>OPTION 1</th>
<th>OPTION 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>3</td>
<td>15% at 80% AMI</td>
<td>25% at 100% AMI</td>
</tr>
<tr>
<td>100%</td>
<td>4</td>
<td>15% at 50% AMI</td>
<td>25% at 80% AMI</td>
</tr>
<tr>
<td>200%</td>
<td>6</td>
<td>10% at 100% AMI, 10% at 80% AMI, AND 10% at 50% AMI</td>
<td></td>
</tr>
</tbody>
</table>
## Proposed Set-Asides

**SCRPR - Rental**

<table>
<thead>
<tr>
<th>Units/Acre</th>
<th>OPTION 1</th>
<th>OPTION 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>10% at 60% AMI</td>
<td>10% at 80% AMI + 8% at 50% AMI</td>
</tr>
</tbody>
</table>
Strategy 2

Establish a Local Housing Trust Fund

**WHY?**

**Fills the gap** between the cost of producing market-rate housing and producing below market-rate housing for lower-income households, especially at 50% AMI and below ($25,250 for one person, $36,050 for a family of 4).

Can be used to **leverage other funding**.

**Offers greater flexibility** with fewer regulations than federal or state resources.
Strategy 2

Establish policies and goals for the housing trust fund.

Identify the appropriate organization to administer the housing trust fund.

Establish a local housing trust fund advisory board.

Allocate initial seed funding for a pilot program.

Photo: Meadowbridge Apartments, Seaford, DE Photo taken by LSA Planning
How many units can be funded?

*It depends upon the scenario and investment level*

<table>
<thead>
<tr>
<th>Project Description</th>
<th>$500,000</th>
<th>$1,000,000</th>
<th>$5,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developers competing for Low Income Housing Tax Credit financing on multifamily rental projects. Assumes DSHA's underwriting standards ($50,000 per unit cap).</td>
<td>10</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>Acquisition assistance so that homebuilders can &quot;buy-down&quot; lots in a high opportunity area (e.g. outside of Lewes or Rehoboth Beach) that can be sold at an affordable price. Assumes a $45,000/lot acquisition subsidy (based off of input from affordable homebuilders).</td>
<td>11</td>
<td>22</td>
<td>111</td>
</tr>
<tr>
<td>Expansion of the existing home rehab program using Sussex County’s $25,000 per home maximum.</td>
<td>20</td>
<td>40</td>
<td>200</td>
</tr>
<tr>
<td>Assistance to develop Permanent Supportive Housing for formerly homeless individuals (Assumes DSHA’s PSH subsidy for a one bedroom unit ($160,615/unit).</td>
<td>3</td>
<td>6</td>
<td>31</td>
</tr>
</tbody>
</table>
A Dedicated Source of Funding will Sustain and Grow the Fund

- Pilot projects will show proof of concept and build support for a dedicated revenue source.
- A marginal impact fee fee (0.5% - 1%) on all new residential development would have a minimal impact to a project’s profitability.
- Alternate sources that would encourage the tourists, who rely on lower-wage workers in the hospitality and food industries, to contribute to the fund.
STRATEGY 3:
Preserve the Existing Supply of Affordable Housing

WHY?
Preserving affordable housing stock already built increases net gains of affordable housing from new development.

Preserving the affordability of existing homes can prevent displacement as nearby property values and rents rise.

Preserving buildings that already exist can be less costly than developing new units.
Strategy 3

Understand the Housing Stock

Establish Preservation Priorities

Increase Resident Opportunities

Understanding developments that are nearing the end of their compliance period

Establishing a framework for monitoring and compliance for units produced through the trust fund and land use programs

Inventory vacant/abandoned properties

Photo: Milton Landing Family Complex, Milton DE, Photo taken from Milfordhousing.com
The County’s Role in Preservation is Facilitation

*It is NOT an Owner, Contractor, or Operator of Affordable Housing*

The County _may_ use funding from the local trust fund (or other sources) for:

1. Financing to address property issues in exchange for extensions of the affordability period.
2. Acquisition assistance to a mission-oriented landlord who is focused on active management of the development as an affordable rental property.
3. Where contract termination is imminent, relocation assistance to tenants that would minimize the impact of their displacement.
4. Low- or no- interest loans to small rental property owners to rehab their home in exchange for maintaining affordable rents.
5. Expanding the existing home rehab program.
6. Creating a tangled title fund.
Augment State Laws with Policies that Promote Housing Preservation

- Establish a lien program that requires vacant/abandoned properties to register their property with the County.
- Notify the County when Manufactured Home Communities are pursuing conversion of their property.
- Explore Right of First Refusal Options to lower-income homebuyers undergoing monition sales.
Last Thoughts

No single initiative, however bold, can resolve Sussex County’s housing issues.

The proposed strategies are foundational for the County.

The proposed strategies should be seen as a starting place from which to grow.