



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



Project Process



Market Analysis/Needs Assessment

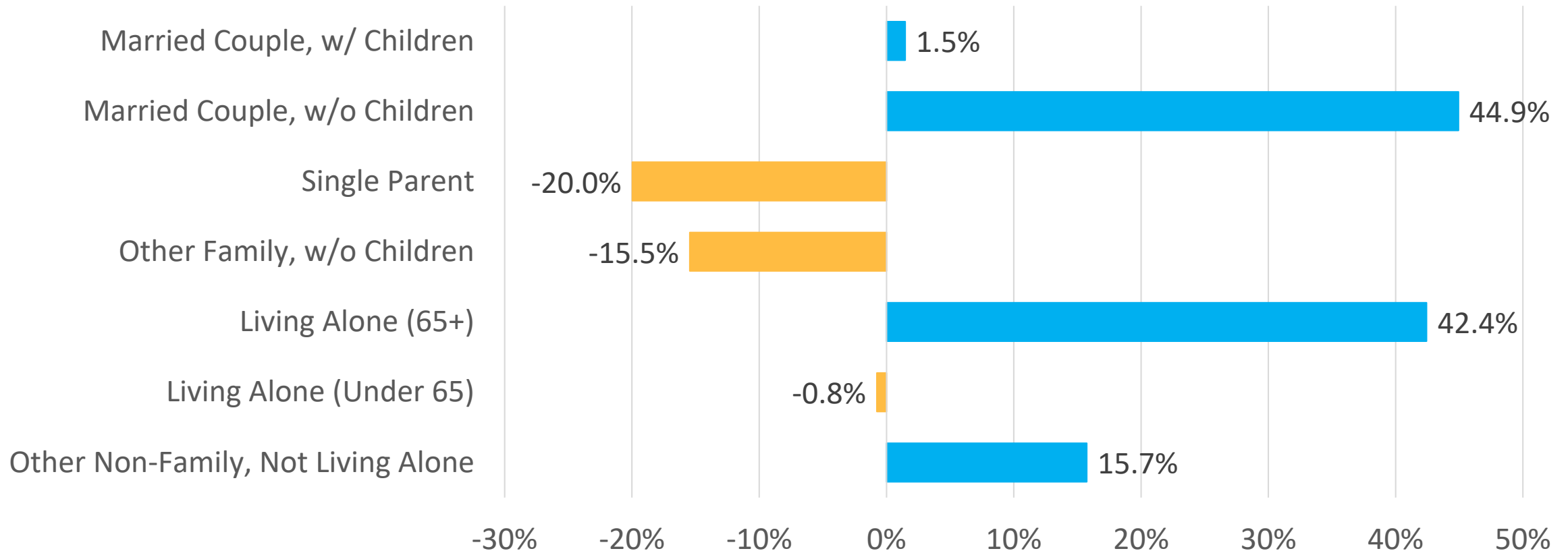
Sussex County is Unique



Market Analysis/Needs Assessment

Sussex County's Population is Changing

Percent Change in Households by Household Type, 2007-2017



Market Analysis/Needs Assessment

Many workers in the County cannot afford housing

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

*One worker earning average wage **Two workers earning average wage

***Includes teachers, first responders and local and state government staff

Market Analysis/Needs Assessment

Many workers in the County cannot afford housing

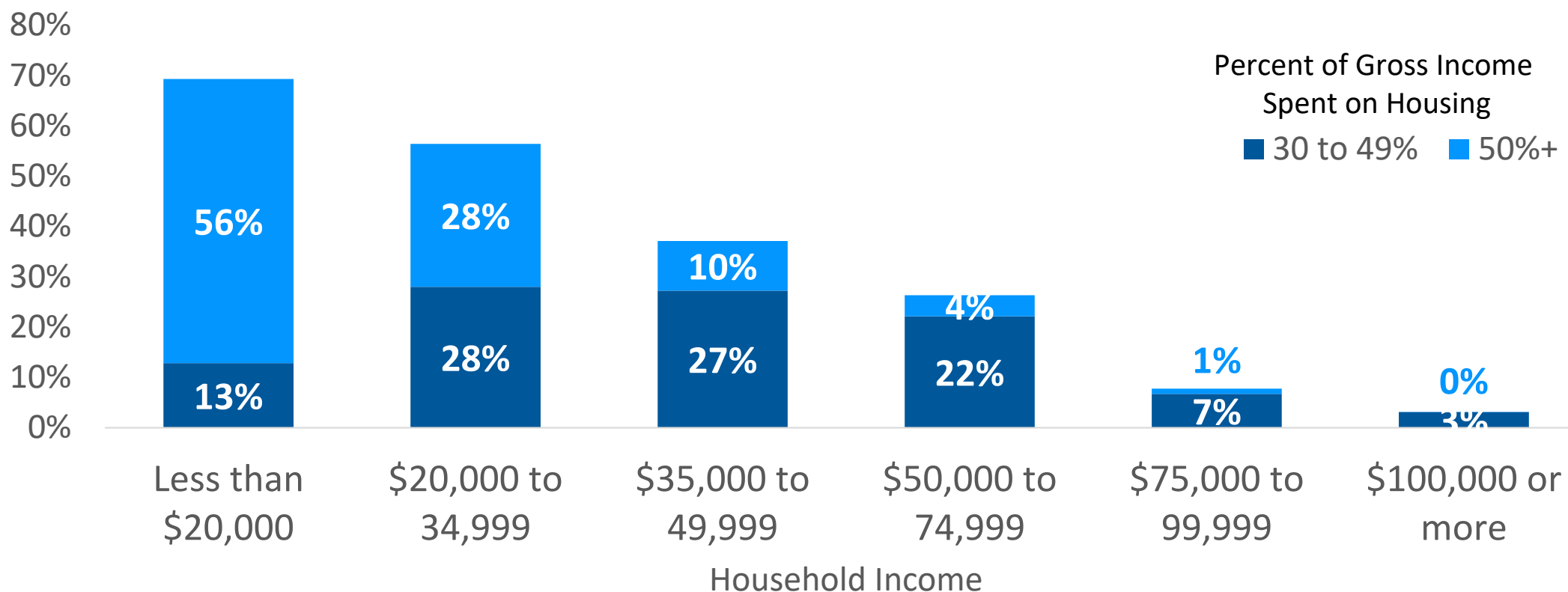
Income Limit (\$) for a Households of Different Sizes				
	1-person	2-person	3-person	4-person
30% of AMI – Extremely Low Income	15,200	17,350	21,330	25,750
50% of AMI – Very Low Income	25,250	28,850	32,450	36,050
80% of AMI – Low Income	40,400	46,200	51,950	57,700
100% of AMI	50,500	57,700	64,900	72,100



Market Analysis/Needs Assessment

Thousands of residents are cost burdened

Housing Cost Burden by Household Income, 2017



Market Analysis/Needs Assessment

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

Annual Housing Targets

Affordable to households at:	New Housing Units
Less than 30% AMI	99
30% to 50% AMI	131
50% to 80% AMI	171
80% to 100% AMI	112
100% AMI or greater	515
Total households	1,029
Vacant units	520
Total net new housing units	1,549

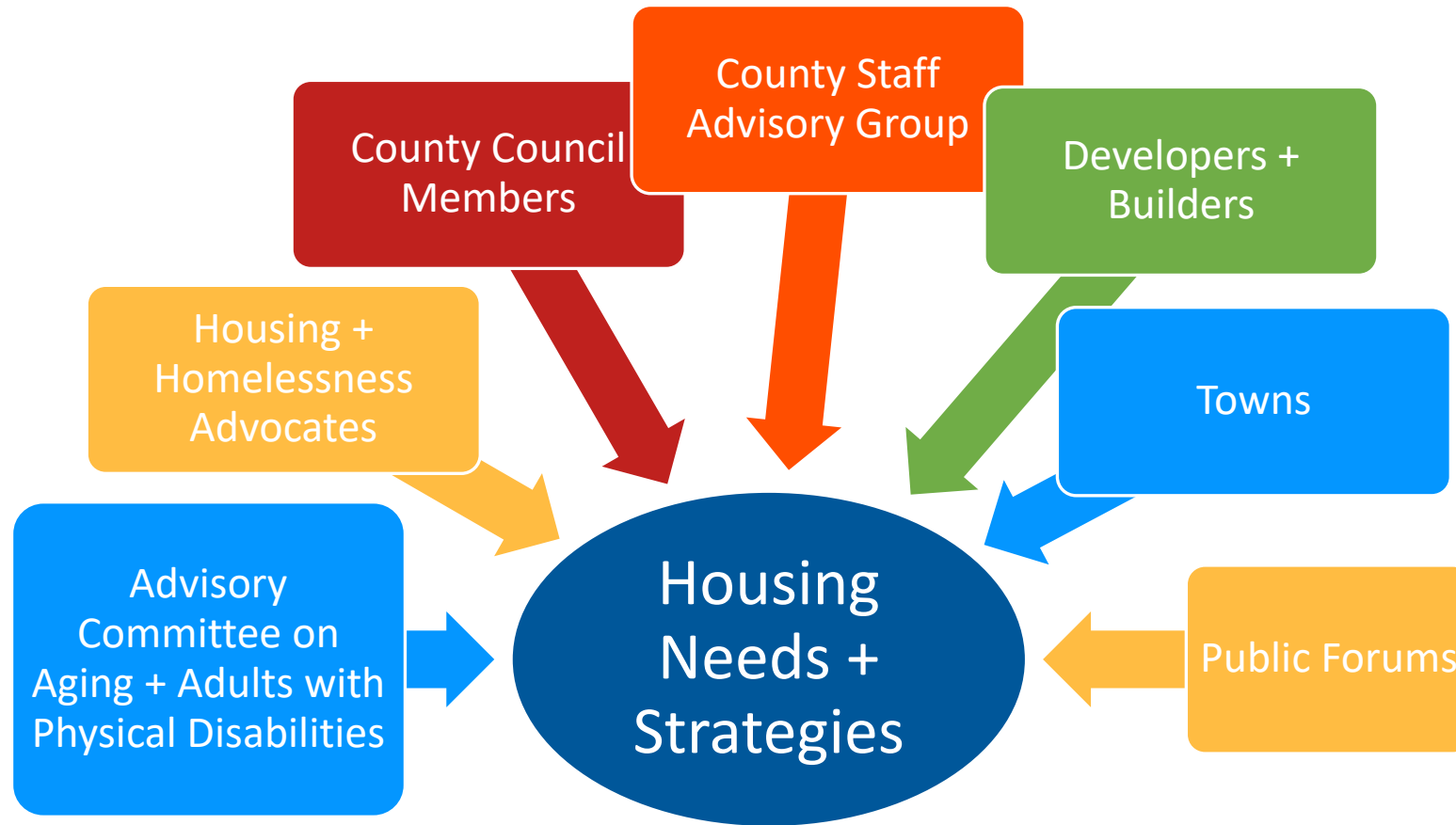
Not being delivered by
the market currently

Project Process



Stakeholder Engagement

Focus groups + interviews provided key context



Stakeholder Analysis

Key takeaways

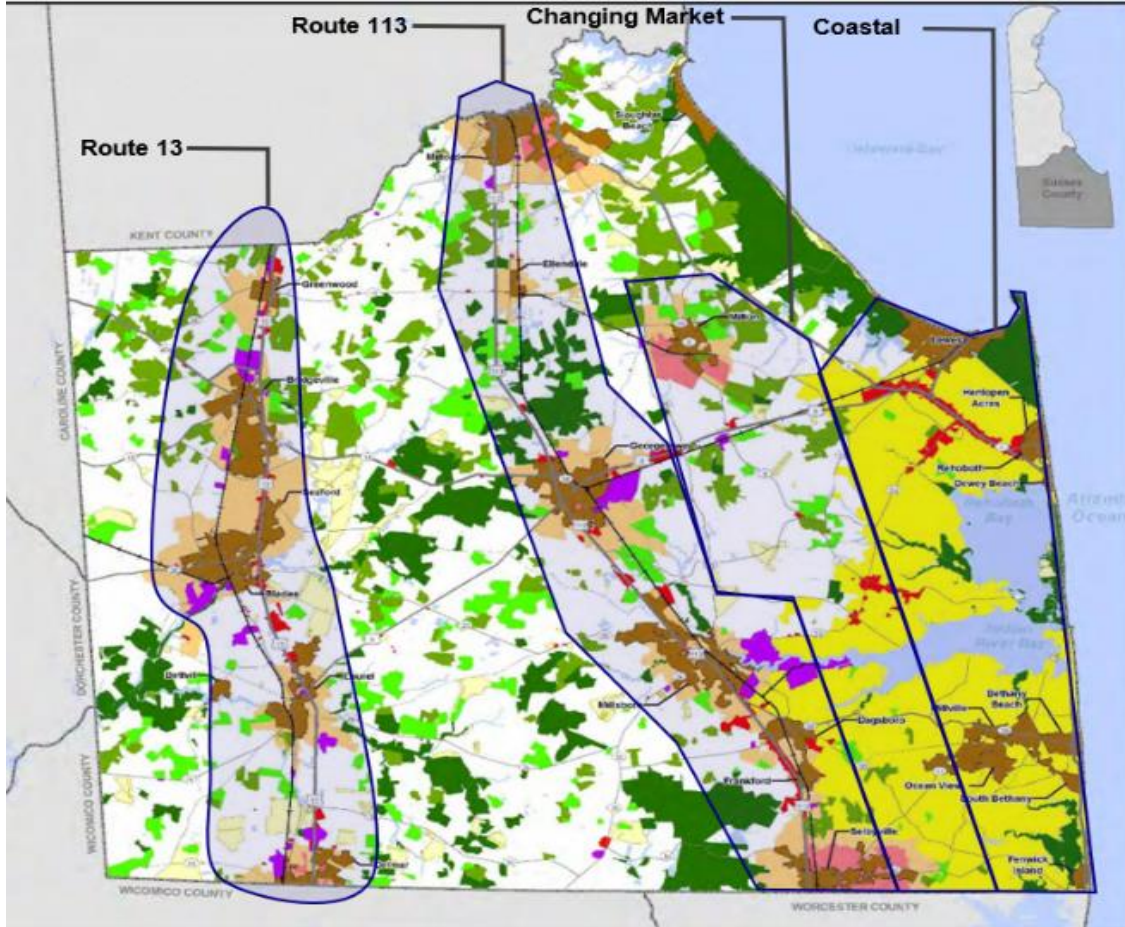
- Sussex County's affordability needs exist across the spectrum of income—from people experiencing homelessness to those earning above the median household income.
 - **However, the most pressing needs are among renters below 60% AMI and homeowners below 100% AMI**
- Builders and housing organizations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



Economic Feasibility Analysis

Evaluated density as *one tool* to increase housing affordability



WHY?

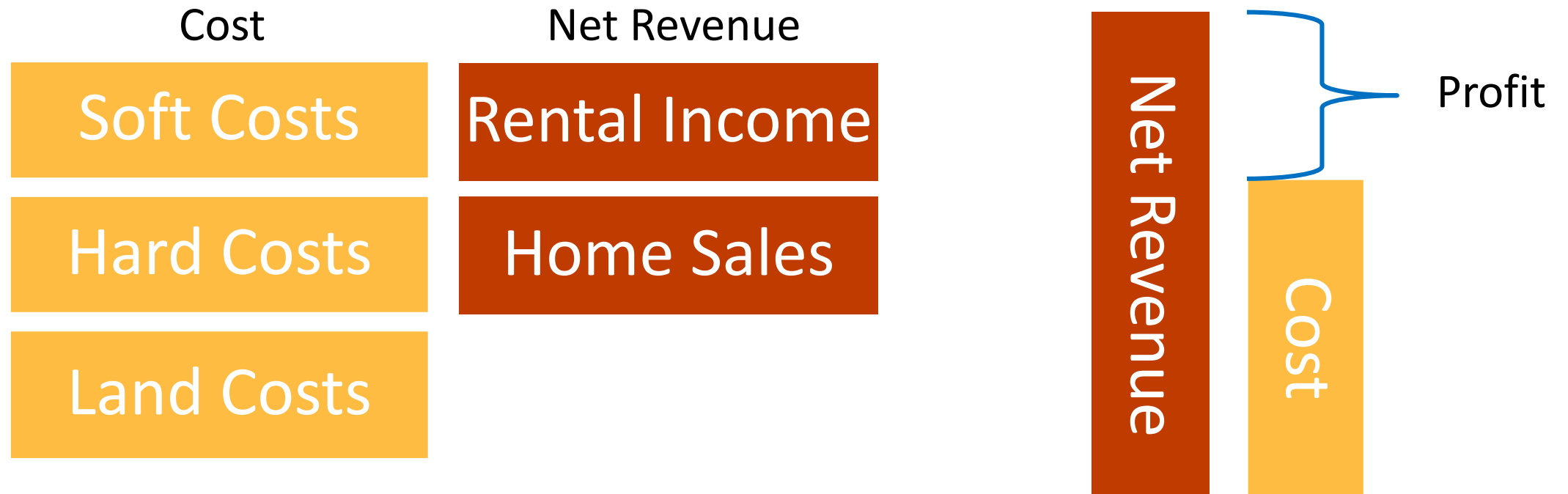
- Limited to no participation in the existing programs (MPHU, SCRP).
- Determines appropriate density and affordability level that enables projects to set aside affordable units without government subsidy.

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



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

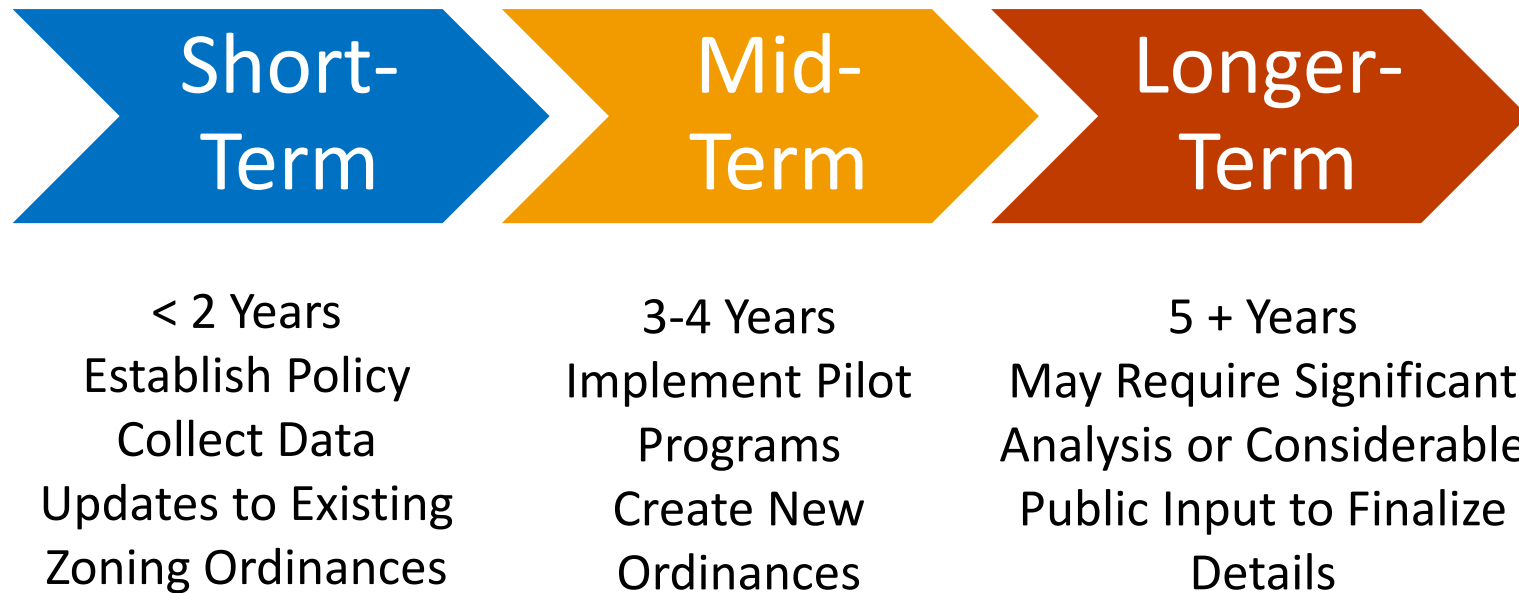
Strategy Recommendations

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



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.

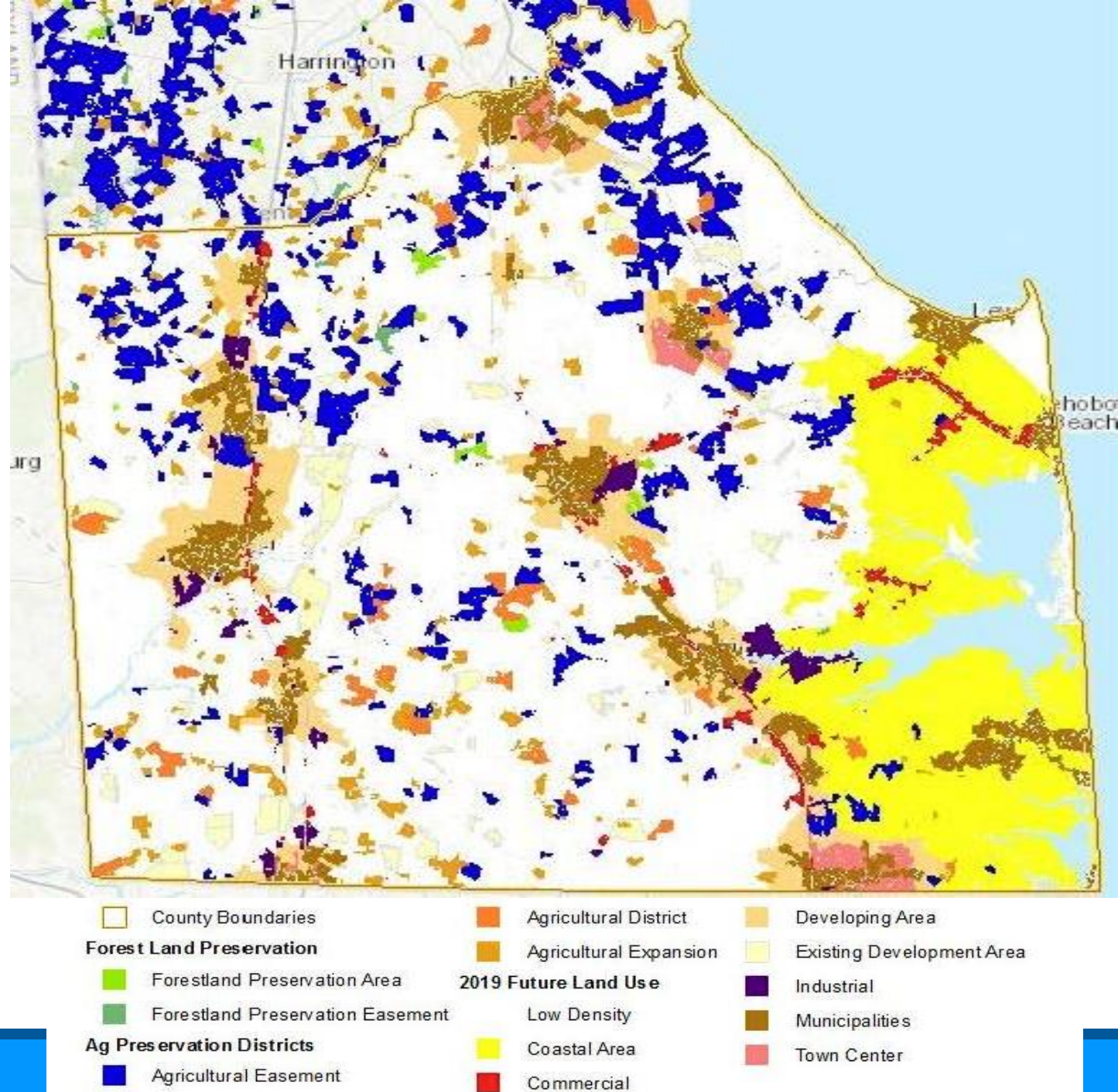
Expand areas where multifamily and manufactured housing is permitted.

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



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

Density Bonus	From 2 Units Per Acre to:	OPTION 1	OPTION 2
50%	3	15% at 80% AMI	25% at 100% AMI
100%	4	15% at 50% AMI	25% at 80% AMI
200%	6	10% at 100% AMI, 10% at 80% AMI, AND 10% at 50% AMI	

Proposed Set-Asides

SCRIP - Rental

Units/Acre	OPTION 1	OPTION 2
12	10% at 60% AMI	10% at 80% AMI + 8% at 50% AMI

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.



How many units can be funded?

It depends upon the scenario and investment level

	\$500,000	\$1,000,000	\$5,000,000
Developers competing for Low Income Housing Tax Credit financing on multifamily rental projects. Assumes DSHA's underwriting standards (\$50,000 per unit cap).	10	20	100
Acquisition assistance so that homebuilders can "buy-down" 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).	11	22	111
Expansion of the existing home rehab program using Sussex County's \$25,000 per home maximum.	20	40	200
Assistance to develop Permanent Supportive Housing for formerly homeless individuals (Assumes DSHA's PSH subsidy for a one bedroom unit (\$160,615/unit)).	3	6	31

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



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