



2013 Annual Awards Entry Form
(Complete one for each entry.)

Entry Name **Rental Housing Preservation Plan**

HFA **Delaware State Housing Authority**

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Program Contact **same**

Phone _____ Email _____

Entry form with description, check(s), and visual aids (optional) must be received by NCSHA by **Monday, July 1, 2013.**

Use this header on the upper right corner of each page.

HFA **Delaware State Housing Authority**

Entry Name **Rental Housing Preservation Plan**

Communications	Homeownership	Legislative Advocacy	Management Innovation
<input type="checkbox"/> Annual Report <input type="checkbox"/> Promotional Materials and Newsletters <input type="checkbox"/> Creative Media	<input type="checkbox"/> Empowering New Buyers <input type="checkbox"/> Home Improvement and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Federal Advocacy <input type="checkbox"/> State Advocacy	<input type="checkbox"/> Financial <input type="checkbox"/> Human Resources <input type="checkbox"/> Operations <input type="checkbox"/> Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
<input type="checkbox"/> Multifamily Management <input checked="" type="checkbox"/> Preservation and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Combating Homelessness <input type="checkbox"/> Housing for Persons with Special Needs	<input type="checkbox"/> Special Achievement	<input type="checkbox"/> YES <input type="checkbox"/> NO

Innovative

A few years ago, Delaware State Housing Authority (DSHA) was in the same position as other HFAs around the country. The economy was stagnant, and funding was extremely competitive and difficult to come by. An affordable housing portfolio built in the 1970s and 1980s was showing its age and funds for investment in repairs and maintenance were scarce or nonexistent. And then, along came the economic crisis revealing what those of us in the housing industry had known for a long time. The added strain of affordable housing needed by the recently jobless and downsized families was overwhelming an already over-burdened industry. DSHA committed to developing a Preservation Plan that would identify the most at-risk sites and craft a portrait that visibly represented the dire needs of these sites which resulted in a state investment of more than \$30M over the past 5 years, enabling the rehabilitation of 16 sites (993 total units), leveraging \$144,000,000 and creating or saving 1,100 local jobs.

The first element was to create a database that was an assessment of risk for sites, allowing DSHA and the Delaware housing community to better plan long-term preservation strategies and forecast necessary resources. The database used a points-based risk assessment to give each site a risk score and then produced a site report summarizing key risk characteristics. This allowed DSHA to triage the sites among preservation horizons of 5-year increments (0-5 years, 6-10 years, 11 years and beyond).

DSHA was able to gather information on nearly 100 percent of the affordable rental stock statewide, regardless of the source of funding or financing. While data access has increased at the national level, at the time typically states would only be able to access the preservation inventories sites for which they have financial or monitoring responsibilities. Through our close relationship with our state Rural Development office, regional HUD office, other funders and major developers in the state, DSHA was able to assemble an extensive database encompassing the full inventory of assisted affordable rental housing in the state, including information on reserves, physical condition, contracts and deed restrictions, ownership, rents, and vacancies. DSHA then used this information to identify the highest-risk sites and secure funding to preserve them, targeting the most seriously at-risk sites first. Each year, when we returned to the General Assembly to request more funding, we were able to show real progress; before and after photos, federal subsidies retained, families housed, and jobs created or saved.

Replicable

This effort was undertaken exclusively using in-house staff. The project took about nine months and involved DSHA's Director of Asset Management, two Management Analysts in the agency's Asset Management and Policy and Planning Sections, and Housing Asset Manager. It can be easily accomplished by following DSHA's steps of effective use of staff resources and one of the best (if not THE best) planning and management analyst staff ever assembled by an HFA in housing history.

Respond to an Important State Housing Need

A safe, decent, affordable home is the foundation of a quality, healthy life. Affordable rental housing in Delaware is facing a preservation challenge that requires increased resources for the foreseeable future. DSHA developed a long-term plan to ensure that Delaware does not lose its affordable housing base either through the loss of federal subsidies or deteriorating building conditions. The properties tracked through the preservation database accounted for housing for around 30,000 people. To accurately assess Delaware's affordable housing preservation needs, the creation and maintenance of a comprehensive database of all Delaware's assisted rental housing sites was a vital first step. This included LIHTC, Project-based Section 8, Rural Development, 202/811, and sites funded or insured by any other federal programs where loss of affordability restrictions or subsidy was possible.

Preservation is the housing term we use generally to describe the process of extending the affordability of subsidized housing. The first thing that comes to many people's mind when they hear "preservation" is physical renovation of the structure. In some cases, this is what is needed. However in most cases, we must also address the finances of the site to improve their cash flows. This ensures that we are not merely putting a band-aid on the problem but that we are planning for the long-term stability of the sites. The people we are helping with our preservation program are:

- Approximately 4,000 elderly residents statewide.
- Nearly one-half of all residents living in federally subsidized rental units, mostly earn no more than 30% of area median income (\$15,000-\$22,000).
- The rest are working families who earn approximately 60% of area median income or between \$31,000 and \$44,000 annually.
- More than 8,000 families and individuals are on the waiting lists at these sites.

There are two threats to affordable rental housing sites that, if not addressed, can cause them to lose their federal subsidy and therefore cause the rents to increase out of the reach of the people living there now. One is the expiration of affordability contracts. As with any contract, there is an expiration date at which time the owners of the apartment site can opt out of the federal subsidy and turn their units into market rate rents. Many owners in the state will work with DSHA and the appropriate federal agency to continue to offer affordable housing. The more immediate threat is failing inspections. If a site fails inspections, the subsidy can be lost. There are 60 site-based subsidized housing sites in the state. They house a total of nearly more than 12,000 people. Many of these sites were built in the late 1970's to early 1980's. Obviously, over time, buildings need physical maintenance. If you are a homeowner you know that the list of things you need to do to keep your home safe and attractive is almost endless. It can be very expensive. Same thing is needed for rental sites.

Demonstrate Measurable Benefits

Being able to discuss the preservation risk in this way with the governor, legislature, and other housing community partners helped DSHA secure over \$30 million in supplemental state funding over the last 5 fiscal years. Because we were able to identify, justify and carefully target our resources, the General Assembly has invested over \$30M over the past 5 years, enabling the rehabilitation of 16 sites (993 total units), leveraging \$144,000,000 and creating or saving 1,100 local jobs. We were reaching the end of a 3-year plan, which had been funded by the General Assembly, to preserve project-based Section 8 sites in sometimes dangerously poor physical condition. Over the course of this work, it became apparent that there were still other pressing preservation needs in the state – Rural Development subsidized sites, other project-based Section 8 sites at risk of opt-out or in financial distress; early LIHTC sites without long-term restrictions. To better grasp the scope of these needs, DSHA developed a statewide inventory database of all assisted rental housing in the state, regardless of DSHA-financing or monitoring responsibilities and conducted a risk analysis based on national review of risk factors and taking local conditions into consideration. Using this information, DSHA made changes to its QAP to better target the highest-risk sites and developed a new proposal to the General Assembly to fund preservation work longer-term.

Proven Track Record of Success

In the first year of implementing the Preservation Plan (FY2008), we received \$5,000,000. When we returned to the General Assembly the following year, we provided photographic and financial evidence of the real difference it made to the people, as well as the benefit to the economy and the state as a whole. Each and every year thereafter, we have been successful in adding more resources to towards our goal.

Provide Benefits that Outweigh Costs – In the most recent Statewide Housing Needs Assessment, some additional risk analysis information on project-based Section 8 sites administered by DSHA was included, but we did not have comparable information easily at hand to extend this to all subsidized and restricted housing in Delaware. Due to the size of the undertaking, these more complex analyses were in most cases conducted as projects/studies in their own right independent from larger housing needs assessment reports. Again, all work was performed in-house by existing staff, resulting in no outside additional expense. In this study, which examined the effect of assisted multifamily rental housing on surrounding property values statewide, rehabilitating an existing site was found to have significant positive effects. Following a renovation, and controlling for other factors, neighborhood home prices are estimated to rise by an average of 20 percent, nearly \$35,000 in 2011 dollars.

Demonstrate Effective Use of Resources – Formal preservation needs analysis to date in Delaware had largely focused on the potential expiration of subsidy contracts or income restrictions. Looking only at expiration dates cast a very wide net and returned risk numbers that were so large it was difficult to identify which sites should actually be cause for concern and the true scope of the problem. The lack of all the necessary data in one place had limited our ability to do more within the context of an already large study. By identifying the most critical needs and focusing on the immediate priorities, we were able to break it down into manageable pieces. This process allowed us to tackle the different parts over several years, and gave us the flexibility to reassess which sites needed precedence in the face of changing necessities.

In the preceding years, the LIHTC was increasingly being used, at great cost, to preserve sites that, while the rehabilitation did renew their affordability, were not at high-risk of loss or in seriously poor physical condition. Changes to the QAP influenced by our research helped reduce that and direct resources to more at-risk sites, helping DSHA to more effectively use the scarce resources available for multifamily financing.

Effectively Employ Partnerships –Because of Delaware's small size, DSHA was able to involve external stakeholders in strategy identification, prioritizing and planning to address the preservation issue. This helped build support for and a sense of common ownership of the initiative and plans. It also improved external stakeholders' understanding of preservation issues and forced them to acknowledge that preservation is a statewide concern for which DSHA is not solely responsible. These external stakeholders proved tremendously valuable in our discussions with the governor and state legislature and extremely helpful in framing the message that preservation of affordable rental stock requires a concerted and coordinated effort of all players and funders to address. Our external partners joined us in demonstrating to the governor and state legislature that preservation is an infrastructure investment that provides economic benefit to the state as a whole.

Achieve Strategic Objectives –The availability of the database has encouraged new development activity in the state by pointing out DSHA's development priorities. When used in combination with the Qualified Allocation Plan, the database encourages new and better applications for preservation projects. Its availability on DSHA's website is an effective tool for interested developers to identify potential sites, and DSHA has seen increased interest from out-of-state and regional developers in preservation work in the state, many of whom have referenced the database. In the 2013 LIHTC round 5 of the 7 LIHTC applications received were for the preservation pool funding. Since the preservation database was created, DSHA has been able to address the preservation needs of approximately 20 percent of the sites ranked at the highest levels of risk.

DELAWARE STATE HOUSING AUTHORITY (DSHA)

REQUEST FOR \$7.5 MILLION FROM THE FY08 BOND BILL

- ➡ Address the immediate need to preserve three Section 8 project-based subsidized sites located throughout Delaware consisting of nearly 300 units of federally-subsidized housing for about 800 people
- ➡ \$7.5 million will be placed in the Housing Development Fund (HDF) and used to make low-interest loans to refinance properties and complete rehabilitation and modernization; including upgrades for handicapped-accessibility and energy efficiency
- ➡ Without rehabilitation these sites will fail HUD inspections and Delaware will lose \$2.5 million in annual subsidies and the residents of these sites will be displaced and may become homeless
- ➡ With the rehabilitation, Delaware can retain \$75 million in subsidy over the next 30 years

ADDITIONAL BACKGROUND INFORMATION:

- Bond Bill allocation of \$7.5 million will leverage approximately \$30 million¹ in private investments to preserve three Section 8 project-based subsidized sites.

Example of HDF Financing:

\$2.5 M HDF
\$2.5 M Tax Credits
+\$7.5 M Private Financing
\$12.5M Total

- These sites serve Delaware's most vulnerable populations; predominantly working families, elderly and disabled who earn less than 30% of the area median income.
- DSHA has 30 Section 8 project-based subsidized sites (3,000 units) in its bond portfolio.
- This housing stock was built in the late 1970's and early 1980's. Over time, these buildings require many updates and repairs.
- Operating costs have increased 130% while the rent income has increased only 40%. Owners cannot meet the expense required to operate the sites much less make costly capital improvements; consequently, funds are not available to cover large maintenance expenses and some repairs have been deferred.
- The \$7.5 million is critical to restoring the financial and physical stability of these sites; without it they will continue to deteriorate, millions in subsidies will be lost and the tenants will be displaced, and may become homeless.

¹ (\$2.5M Tax Credit Equity + \$7.5M Private Financing) x 3 sites = \$30M leveraged from other sources



♦ *Making Delaware Livable* ♦

Delaware State Housing Authority

FY '08 Budget Presentation

September 22, 2006

vision

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DSHA Priorities

Keeping Federal Subsidies and Grants through...

1. **Preservation**: Site-Based Affordable Rental Housing
2. **Units for Homeless Delawareans**: Executive Order #65 Ending Chronic Homelessness



FY08 Budget Needs

Preservation Priority	\$8,000,000
Units for Homeless Delawareans	\$3,000,000
HDF Base Budget	\$4,070,000
<hr/>	
Total DSHA Budget	\$15,070,000



Priority #1:
Preservation
***“Maintaining the Stock of
Affordable Housing”***



Preservation Goal

Total Stock



30 Sites
2,700 Units
7,300 people

Need

Cost: \$28,000,000



10 Sites
853 Units
2,300 People

Immediate FY08 Need

Cost: \$8,000,000



3 Sites
288 Units
800 People

Making Delaware Livable

Site-Based Housing

- “***Site-Based***” rent subsidy is attached to the unit, not the tenant.
- Built in the late 1970’s / 1980’s





Site-Based Housing

(Continued)

■ Original Financing:

- Federal Funds
- DSHA bonds
- Private Investments

■ Operations:

- Non-Profit and for-profit ownership/management
- **Maximum rent is established by HUD**
- Tenants pay 30% of their income for rent
- DSHA performs regulatory compliance inspections
- **Must pass HUD inspections**



HUD Changes Rent Calculation

Capital improvements deferred

- Original rent calculations intended to cover Operating Costs, Debt Service and Return to Investors
- Rent changed from automatic annual increases to a comparative system in mid-1980s
- As a result, Delaware's rent increases could not keep up with increasing costs

Rent Increases (since inception)	40%
Operating Cost Increases (since inception)	130%

Subsidies Lost

HUD changes Rent Calculation



Decade without Rent Increases



Insufficient Revenue for Needed Capital Improvements



Fail HUD Inspections



Loss of HUD subsidy

WE ARE HERE

Who lives there?

- The vast majority of residents earn 30% of area median income (approx. \$12,000).
- As of June 30, 3,200 people were waiting for housing at the 30 sites.



Making Delaware Livable



FY08 Preservation

\$8 million in FY08

**Preserve 3 Sites
288 Units
800 People**

Making Delaware Livable



Use of \$8 million

- Save 288 affordable housing units for families
- Save \$2.5M annual federal subsidy
- Debt refinancing
- Structural/Capital improvements
- Energy efficiency, handicap accessibility
- Site improvements (health and security)
- Maintain code compliance

What is at Risk?



- Increased risk of homelessness
- Families/Elderly/Disabled in substandard housing
- Major relocations (think Brookview)
- Loss of affordable housing

FY08 Immediate Preservation Need	3 Sites (288 Units)	800 People	\$2.5 million annually
Preservation Need	10 Sites (853 Units)	2,300 people	\$6.6 million annually



Priority #2: Units for Homeless Delawareans



FY08 Units for Homeless Delawareans

Production of 25 New Units	\$2,500,000
20 State Rental Vouchers	\$500,000
TOTAL	\$3,000,000

To House:

- 25 Chronically Homeless people
- 10 Kids exiting Foster Care
- 10 Homeless people with Disabilities





Ending Chronic Homelessness by 2012

Governor's Executive Order #65

- Created the Delaware Interagency Council on Homelessness (DICH)
- Federal funds linked to DICH
- Unit Production/Operations/Supportive Services
- House the homeless with disabilities



10-Year Plan to End Chronic Homelessness

- Need: Housing for 2,000 people
- Costs:

Development	\$42.4 million
Operations	\$16.4 million
Supportive Services	\$4.8 million
Total	\$63.6 million

- Not all new Funding
- Cost Avoidance



Homelessness in Delaware – January 2006 Point in Time Study

On any given night in the State of Delaware, about 2,000 people are homeless.

Source: Homeless Planning Council of Delaware Point in Time Study, January 26, 2006

Making Delaware Livable



Homelessness in Delaware

- Nearly 7,000 people in Delaware experience at least one episode of homelessness in a given year*.
- Estimated cost to the State per year:

\$8,000 Per Person

\$56,000,000 Total

* DE Point-in-time data/nationally accepted formula.



Use of \$2.5M in FY08

25 New Housing Units

- **Cost:**
 - Development and Operations: \$2.5 million
 - Supportive Services (DHSS): \$300,000
- **People Housed:** 33/year
- **Partners:** DHSS, Homeless Services Providers, Developers

Cost Avoidance

Cost Avoidance of Providing Housing for One Chronically Homeless Person

Cost Factors	Cost of Chronic Homelessness	Cost of Supported Housing
In-patient Psychiatric	\$39,900	\$19,740
DCCI	\$1,634	\$9,46
Inpatient Medicaid	\$10,840	\$8,541
Operations and Services	\$0	\$11,000
Annual Cost	\$52,374	\$40,227

- Estimated Annual Cost Avoidance of \$12,147



Use of \$500K in FY08

Pilot Voucher Program

- Target Populations
 - Kids Exiting Foster Care
 - Homeless People with Disabilities (Mental Health/Substance Abuse)
- 20 Rent Subsidy Vouchers
- 3-Year Subsidy



DSHA FY08 Budget Needs

Preservation Priority	\$8,000,000
Units for Homeless Delawareans	\$3,000,000
HDF Base Budget	\$4,070,000
Total DSHA Budget	\$15,070,000



Making Delaware Livable

**Greater quality of life for low-
and moderate-income
Delawareans.**



Sandy Johnson, Director

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Thank you!

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Affordable Rental Housing Preservation Program Second Year of Three-Year Plan

**Presentation to Joint Bond Bill & Capital Infrastructure Committees
FY '09 Bond Bill
April 28, 2008**

www.destatehousing.com



AFFORDABLE RENTAL HOUSING PRESERVATION PROGRAM

*“Maintaining the Stock of
Affordable Rental Housing for
Residents of Delaware”*



The challenges facing Delaware's affordable housing stock will require increased resources and State commitment.

GOVERNOR'S RECOMMENDED FY '09 BOND BILL

■ **\$5 million in FY '09**



3-YEAR PRESERVATION PROGRAM

Need —————→
(Total Cost: \$28 Million)

**10 Sites
853 Units
2,300 Residents**

FY '08 —————→
(Total Cost: \$7.5 Million)

**3 Sites
252 Units
800 Residents**

FY '09 —————→
(Total Cost: \$5 Million)

**2 Sites
160 Units
430 Residents**

3-YEAR PRESERVATION PROGRAM

FY '10

(Total Cost: \$15.5 Million)



**5 Sites
441 Units
1,070 Residents**

DELAWARE FAMILIES WHO LIVE IN ASSISTED RENTAL HOUSING



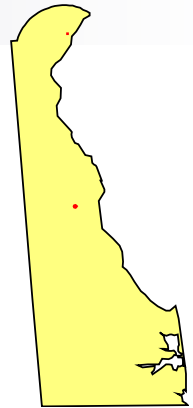
- Typically working families
- Earning approximately \$15,000-\$19,000 per year
- Cost burdened families
- Needs assessment shows we have **24,901** at-risk households
- **5,000** families on waiting list

ACTIVITIES FUNDED BY THE RENTAL HOUSING PRESERVATION PROGRAM

- Debt Refinancing
- Structural/Capital Improvements
- Energy Efficiency, Handicap Accessibility
- Site Improvements (Health & Security)
- Leverage Other Funds
- Maintain Code Compliance



LOSS OF SUBSIDY IN FY '09: FISCAL IMPACT ON STATE OF DELAWARE



- Preserves **\$1.75 million** in federal subsidies to Delaware each year
- Preserves nearly **\$53 million** in subsidies over 30 years
- Keeps families from becoming homeless

GOVERNOR'S RECOMMENDED FY '09 BOND BILL

- **\$5 million** in FY '09



- Preserves 2 communities, or **160 units** of affordable rental housing

- Keeps **430 Delawareans** in their homes

CONTACT INFORMATION

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♦ *Putting Housing to Work* ♦

Delaware State Housing Authority
**FY '10 Bond Bill
Committee Presentation**

April 27, 2009

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Overview

1. **DSHA Overview**
2. **State Housing Budget Overview**
3. **Affordable Rental Housing Preservation**
4. **Foreclosure Prevention**



DSHA Overview

◆ Putting Housing to Work ◆

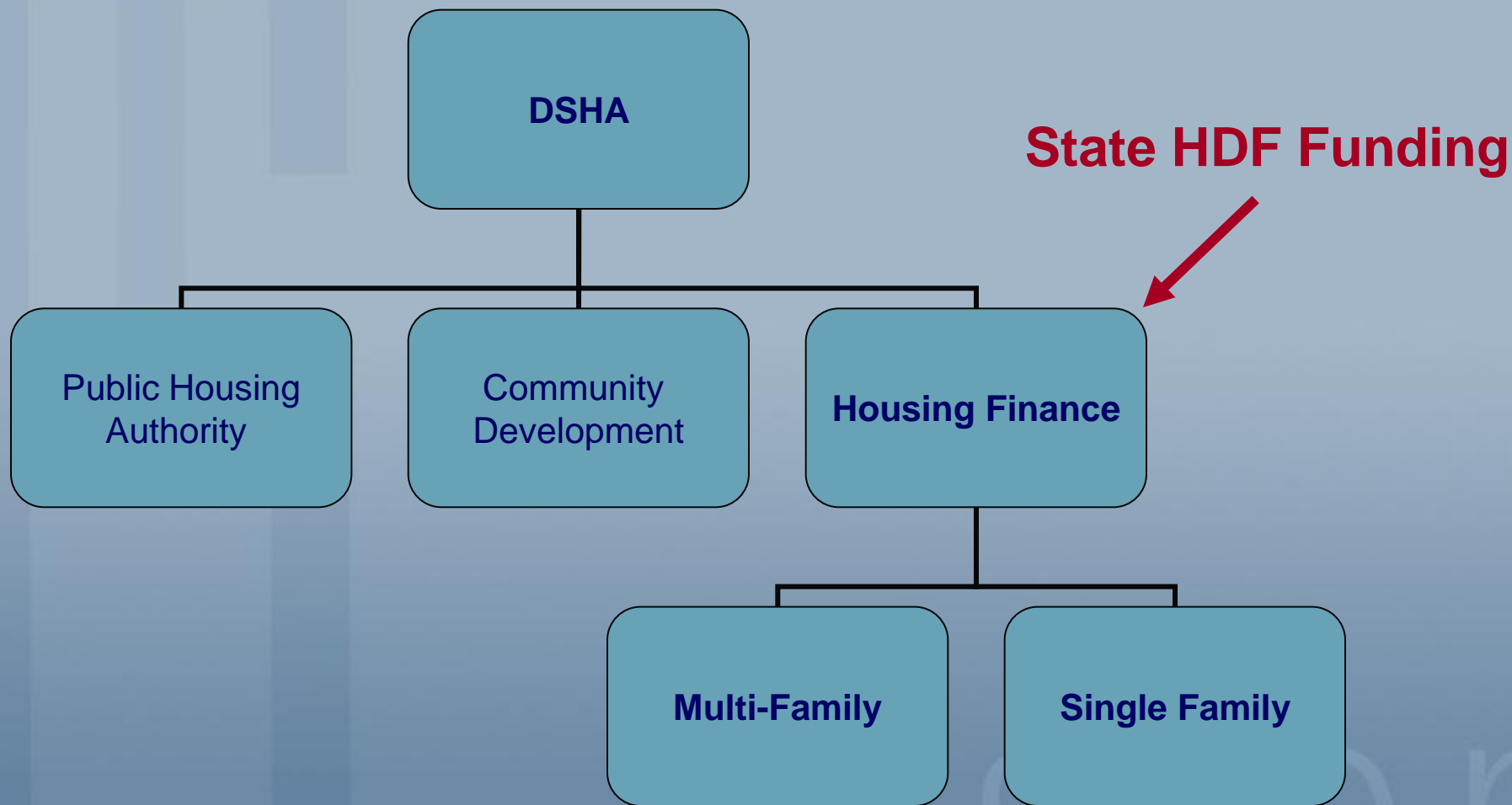


DSHA Organization

- Cabinet level agency within the Executive Department
- 132 employees
- Offices in Dover and Wilmington
- 8 Divisions
 - Administration
 - Asset Management
 - Community Relations
 - Director's Office
 - Development
 - Finance
 - Housing Management
 - Planning & Community Development

Putting Housing to Work

DSHA Overview

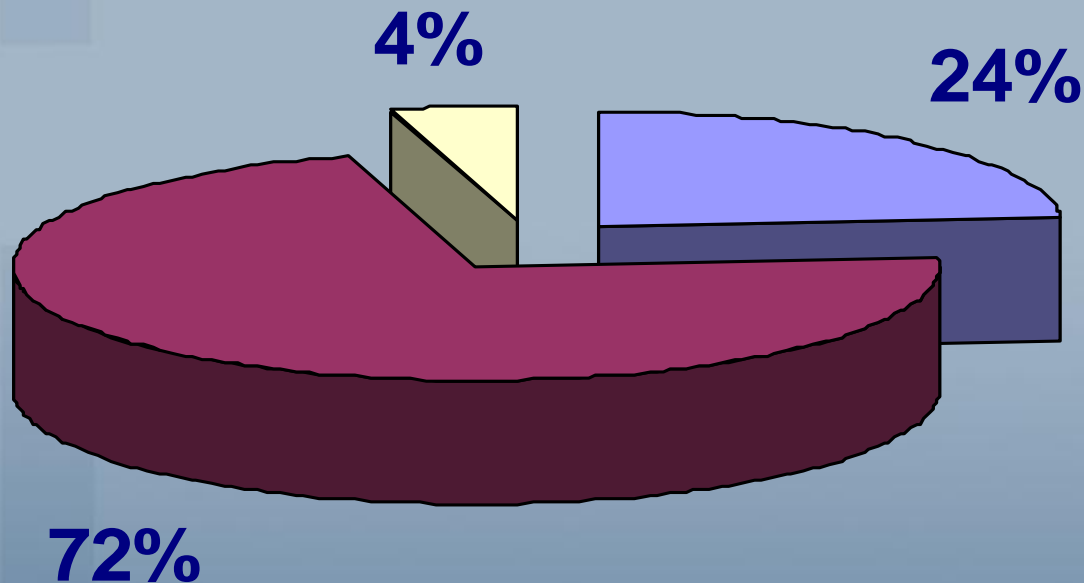


Putting Housing to Work



DSHA Funding Sources

Program Funding: \$280 Million



□ Federal

□ Bond

□ State

Putting Housing to Work



State Housing Budget Overview

\$4,070,000

◆ Putting Housing to Work ◆



Housing Development Fund

HDF Base Budget..... \$4,070,000

1. Affordable Rental Housing

- ✓ Rehabilitation of existing units
- ✓ Creation of new units

2. Affordable Homeownership

- ✓ New units
- ✓ Owner-occupied rehabilitation
- ✓ Housing counseling

Putting Housing to Work



Affordable Rental Housing Preservation (Bond Bill) \$2,500,000

◆ Putting Housing to Work ◆



Affordable Rental Housing Preservation Program

“Maintaining the stock of affordable rental housing for residents of Delaware”



The challenges facing Delaware's affordable housing stock require increased resources and State commitment.



Preservation Overview

DSHA...

Performs Contract Administration for.....59
sites

Making up.....4,658 units

Housing.....12,601 low-income Delawareans

\$37.5 million in federal subsidy/year

60% need renovations, and/or financial assistance

Putting Housing to Work

Subsidies Lost

HUD Changes Rent Calculation



Decade Without Rent Increases



Insufficient Revenue for Needed Capital Improvements



Fail HUD Inspections



Loss of HUD subsidy

WE ARE HERE



FY10 Affordable Housing Preservation Fund

Request: \$2,500,000

Units: 75-120 units

Renters: 200-300

Subsidy: \$30 million rent subsidy over 30-year contract

Fund Uses:

- ✓ Debt refinancing
- ✓ Rehabilitation

Putting Housing to Work



1:4 Leverage Ratio

Each State dollar generates \$4 in other funding for affordable housing development projects.

**\$2.5 million
state
allocation**

=

**\$10 million from
other funding
sources**



Economic Activity Generated

University of Delaware study shows that for each \$1 invested in housing by the state, \$7 in economic activity is created.

State Allocation	Economic Activity
\$2.5 million	\$17.5 million

State Allocation	Full-time Jobs
\$2.5 million	140



Preservation FY08-FY10

FY / Allocation	FY08 Bond Bill \$7.5 Million	FY09 Bond Bill \$5 Million	FY10 Bond Bill \$2.5 Million
Sites Assisted	3 Sites	4 Sites	1 Site
Num. Units	252 Units	328 Units	75-120 Units
Leverage	\$ 30 M	\$ 20 M	\$ 10 M
Econ. Impact	\$ 52.5 M	\$ 35 M	\$ 17.5 M
Fed. Subsidy	\$61 M	\$96 M	\$30 M

Putting Housing to Work



Preservation Results

Capitol Green is an example of a FY08 Preservation Program project.

Preservation Funding: \$1.5 million

- **132** Units
- Major rehab including reconfiguration to add accessible units
- New community building will be used by Boys & Girls Club
- Restructured debt to sustainable level
- Leveraged over \$9 million in other funding
- Preserved **\$35 million** federal rent subsidy

Capitol Green Preservation Results

BEFORE



AFTER



Putting Housing to Work

Capitol Green Preservation Results



BEFORE

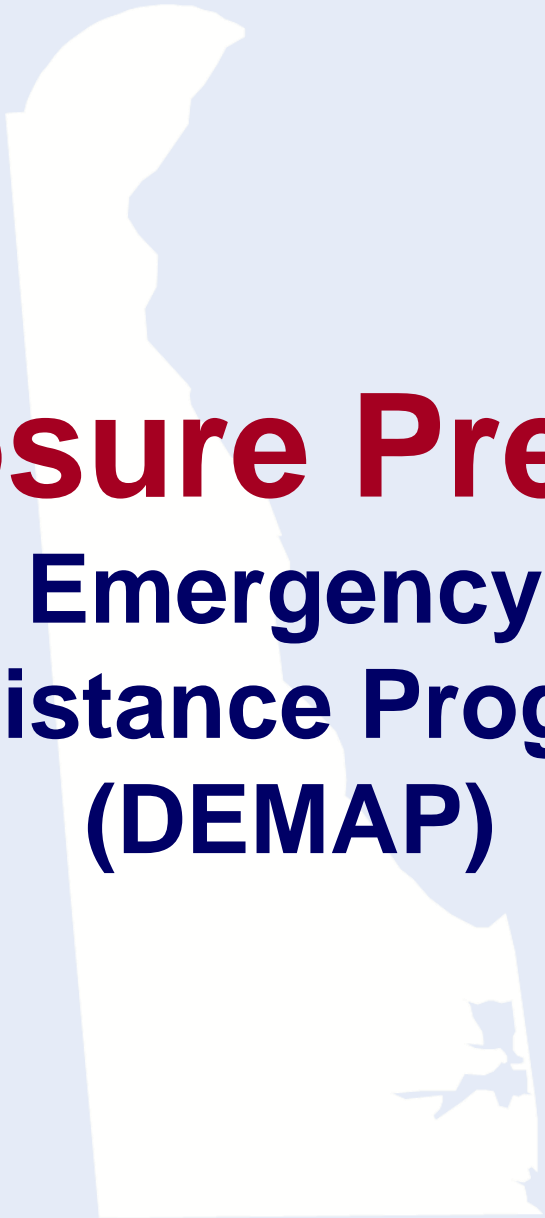


AFTER

Capitol Green Preservation Results



During rehabilitation
workers uncovered
beautiful hardwood
flooring!



Foreclosure Prevention

Delaware Emergency Mortgage Assistance Program (DEMAP)

◆ Putting Housing to Work ◆



Foreclosure Prevention

	FY07	FY08	FY09	Total
State Bond Bill	\$227,800	\$500,000	\$250,000	\$977,800
State General Fund	\$500,000	-	\$250,000	\$750,000
Other Funding	-	\$750,000	\$323,000	\$1,073,000
Total Funding	\$727,800	\$1,250,000	\$823,000	\$2,800,800
DEMAP Loans	8	88	45	141



HDF Bond Bill Review

\$2.5 Million for Affordable Rental Housing Preservation

◆ Putting Housing to Work ◆



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Thank you!

◆ *Putting Housing to Work* ◆



Delaware State Housing Authority

FY '11 JOINT FINANCE COMMITTEE HEARING

February 3, 2010

Delaware State Housing Authority
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Delaware State Housing Authority

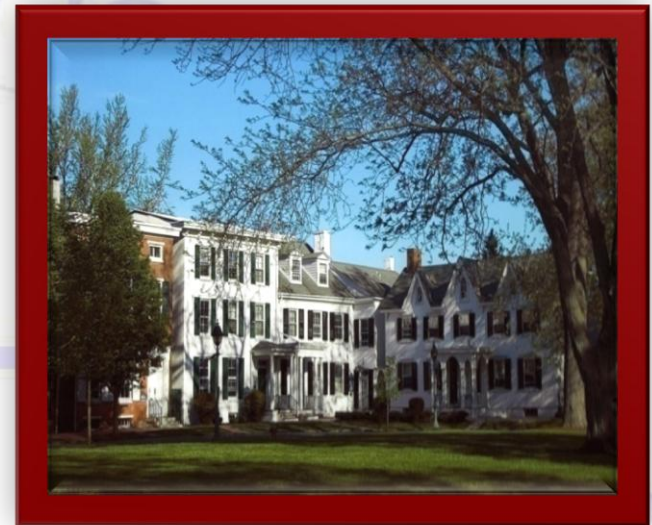
DSHA Overview

DSHA Core Services

- Homeownership
- Affordable Rental

FY11 Budget Request

- Housing Development Fund Base Budget
- Preservation of Affordable Rental Housing





DSHA Overview

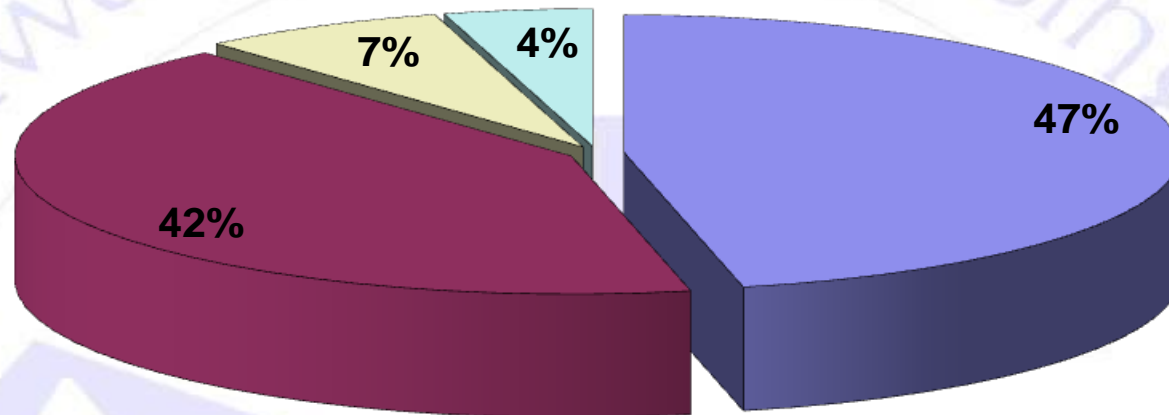
- Cabinet level agency within the Executive Department
- 135 employees
- Offices in Dover and Wilmington
- 8 Divisions





DSHA Funding Sources FY 2010

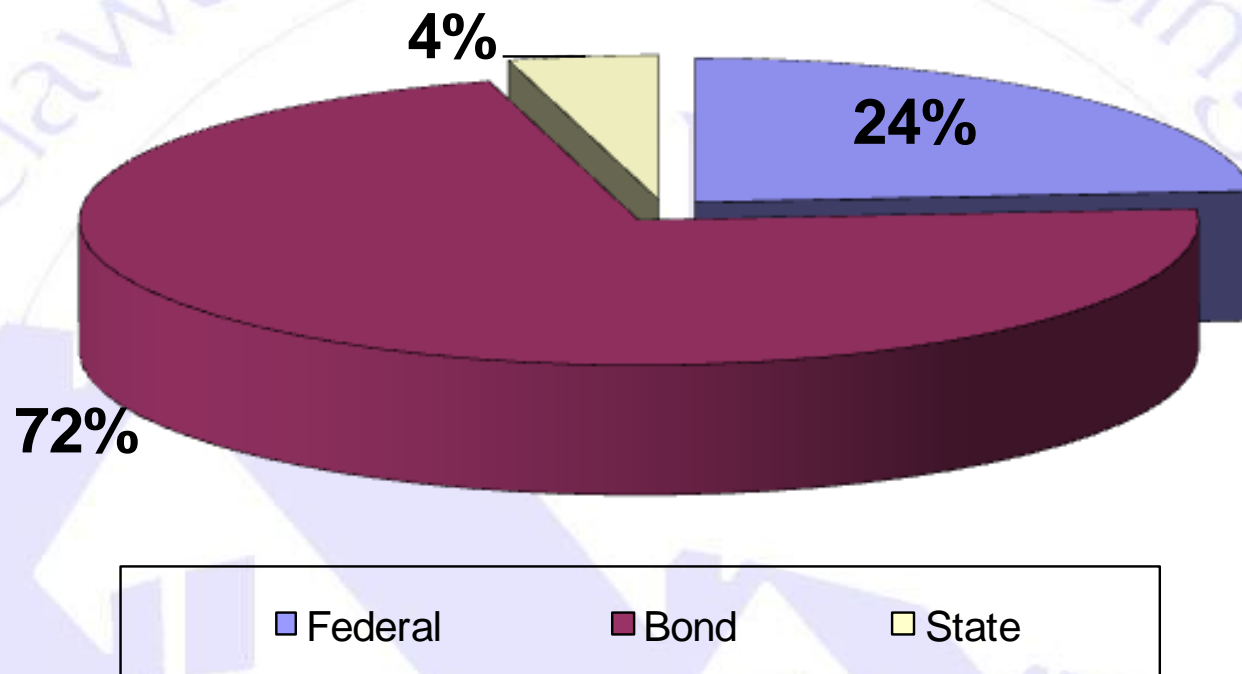
Operations Funding \$13.9 Million





DSHA Funding Sources FY 2010

**Program Funding
\$280 Million**



Core Service: Homeownership



Speakman Place, Wilmington



Homeownership

Key Programs

- First Time Homebuyer Program (mortgage bonds)
- Second Mortgage Assistance
- Foreclosure Mitigation
- Housing Counseling





Homeownership

Challenges

- Bond Market, Government Sponsored Enterprise (GSE) investment activity
- Affordability gap (Kent and Sussex primarily)
- Underwriting criteria – harder for families to afford homes
- Foreclosure— job loss, exotic mortgages





New Initiatives Bond Program





Foreclosures in Delaware

Historical Foreclosure level (2000-2005).....2,000 annually

20084,488

20096,157

Governor's Foreclosure Mitigation Initiative:

1. Before mortgage delinquency: education and outreach
2. During foreclosure: mortgage assistance programs (state, federal, bank)
3. After foreclosure: help families and communities recover



Core Service: Affordable Rental



Hurds Crossing, Felton



Affordable Rental

Key Programs

Development/Finance

- Housing Development Fund (HDF)
- Low Income Housing Tax Credit

Rental Assistance

- Public Housing and rental subsidies

Monitoring and Compliance

- Asset Management



Windsor Apartments, Wilmington

Affordable Rental

Challenges



Brightway Commons, Milford

- Weak tax credit equity markets
- Subsidies lag operating costs
- Ageing inventory
- Focus on preservation means little new units coming on line.



FY11 Budget Proposal

Housing Development Fund	\$4,070,000
Rental Housing Preservation Program	\$4,500,000
<hr/>	
Total DSHA Budget	\$8,570,000

Housing Development Fund



Coachman's Manor, New Castle



Housing Development Fund

Base Budget Proposal **\$4,070,000**

1. Affordable Rental Housing

- ✓ Rehabilitation of existing units
- ✓ Creation of new units

2. Affordable Homeownership

- ✓ New units
- ✓ Owner-occupied rehabilitation
- ✓ Housing counseling



Greentree Village, Claymont



Housing Development Fund

FY09 Total Unit Production Report

Rental Housing

Preservation	303 Units
Special Populations	36 Units

Homeownership

Acquisition Rehabilitation	14 Units
Rehabilitation	250 Units
Housing Counseling	380 Units



**Marcella's House,
Wilmington**



Housing Development Fund FY09 Leverage Report (Housing Development)

State Funding:

State HDF Base Budget	\$ 4 million
FY 09 HDF Preservation Budget	<u>\$ 5 million</u>
	\$ 9 million

Leverage categories:

Other HDF income	\$ 1 million
Federal Funds	\$ 2.75 million
Equity	\$ 19 million
Other Private Activity	<u>\$ 15 million</u>
	\$ 37.75 million

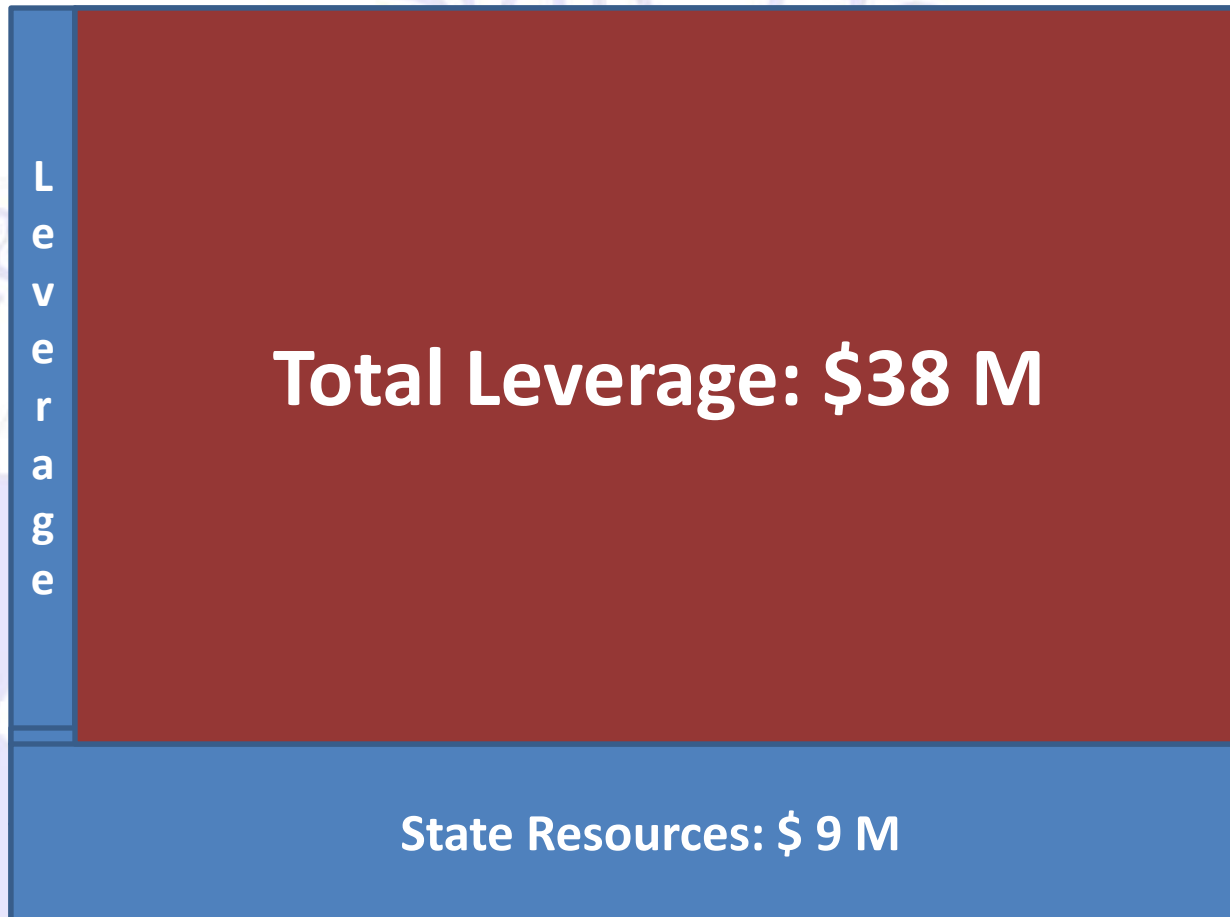


Hollybrook Apartments, Laurel

Leverage ratio 1 to 6.4



HDF Leverage FY 2009 (Housing Development)





Housing Development Fund Typical Development Deal

State Funding:

State HDF Base Budget	\$ 2,300,000
FY 09 HDF Preservation Budget	<u>\$ 450,000</u>
	\$ 2.75 million

Leverage categories:

Bank Lending	\$ 13.6 million
Equity	\$ 3.6 million
Other Private Activity	<u>\$ 2.2 million</u>
	\$ 19.4 million

Leverage ratio 1 to 7



HDF Leverage FY 2009

Bethel Villa



BEFORE

AFTER

150 Family Units

L
e
v
e
r
a
g
e

Total Leverage: \$ 19.4 M

State Resources: \$ 2.75 M



1:4 Leverage Ratio

Each State dollar generates \$4 in other funding for affordable housing development projects.

**\$8.5 million
state
allocation**

=

**\$34 million from
other funding
sources**



Economic Activity Generated

University of Delaware/Delaware Housing Coalition study shows that for each \$1 invested in housing by the state, \$7 in economic activity is created.

State Allocation	Economic Activity
\$8.5 million	\$59.5 million

State Allocation	Full-time Jobs
\$8.5 million	476



Customer Service

New Application Procedure for HDF

- **Competitive application process**
- **Applications accepted in January and July**



Terry Apartments, Wilmington

Affordable Rental Housing Preservation Program



Lexington Green, Newark



Preservation Overview

Bond Bill Request **\$4.5 million**

DSHA administers HUD rent subsidy contracts for HUD

Contract administration for.....56 Sites

Making up.....4,658 units

Housing.....12,601 low-income Delawareans

- ✓ **\$37.5 million in federal subsidy/year**
- ✓ **60% need renovations, and/or financial assistance**



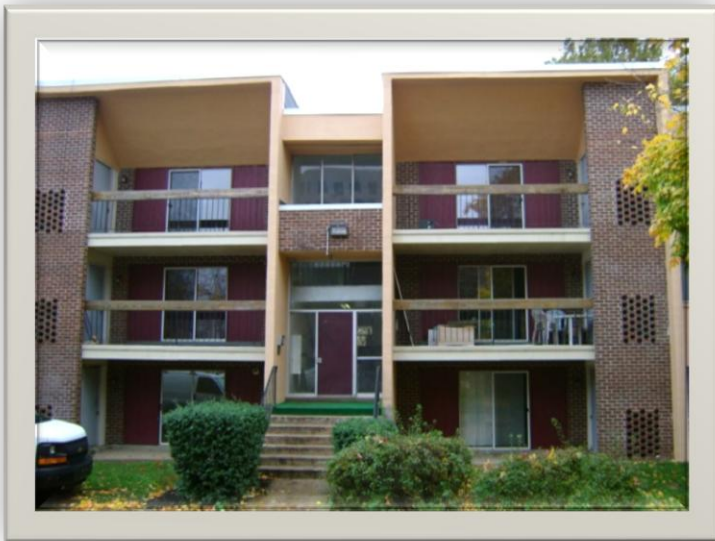
Preservation FY08-FY11

FY / Allocation	FY08 Bond Bill \$7.5 Million (Actual)	FY09 Bond Bill \$5 Million (Actual)	FY10 Bond Bill \$2.5 Million (Actual)	FY11 Bond Bill \$4.5 Million (Projected)	TOTAL
Sites Assisted	3 Sites	4 Sites	1 Site	2 Site	10 Sites
# Units	252 Units	328 Units	108 Units	354 Units	1,042 Units
Federal Rent Subsidy Preserved	\$61 M	\$89 M	\$30 M	\$72 M	\$252 M

Successful Affordable Housing Preservation

Compton Apartments, Wilmington

Before



55 Family Units



After

Successful Affordable Housing Preservation

Capitol Green, Dover



Before

132 Family Units



After



FY11 Budget Request

HDF Base Budget	\$4,070,000
Bond Bill Preservation Request	\$4,500,000
<hr/>	
Total DSHA Budget	\$8,570,000



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Thank you!



◆ Putting Housing to Work ◆



Delaware State Housing Authority

FY 2012 Housing Budget Presentation to the Joint Finance Committee

February 2, 2011

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Outline

- **DSHA Overview**
- **Core Services and Challenges**
- **General Fund Request**
- **Capital Fund Request Highlight**



DSHA Overview

Housing Finance Agency

- First-time homebuyers
- Second mortgages
- Housing Rehabilitation Programs
- Emergency Mortgages

Community Development

- Grant Administration
- Special Populations
- Foreclosure Recovery

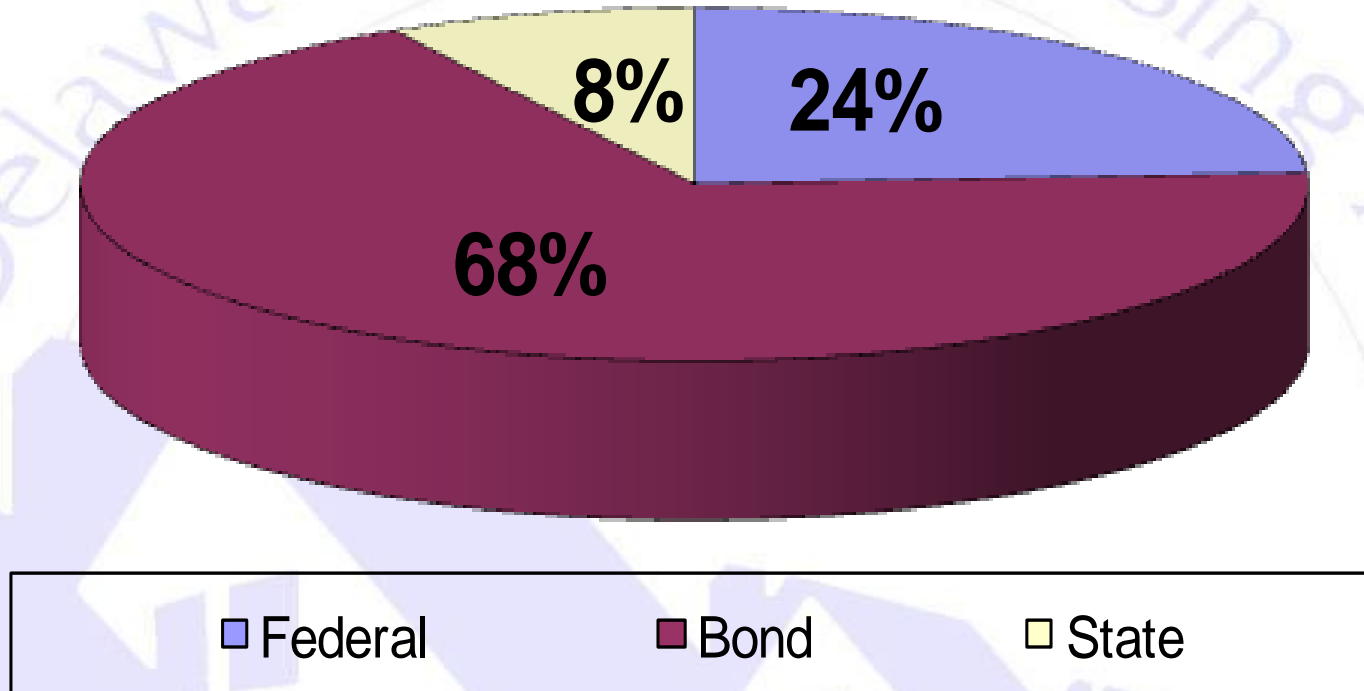
Public Housing Authority

- Public Housing (500 units)
- Housing Choice Rental Vouchers (900 units)



DSHA Funding Sources FY 2011

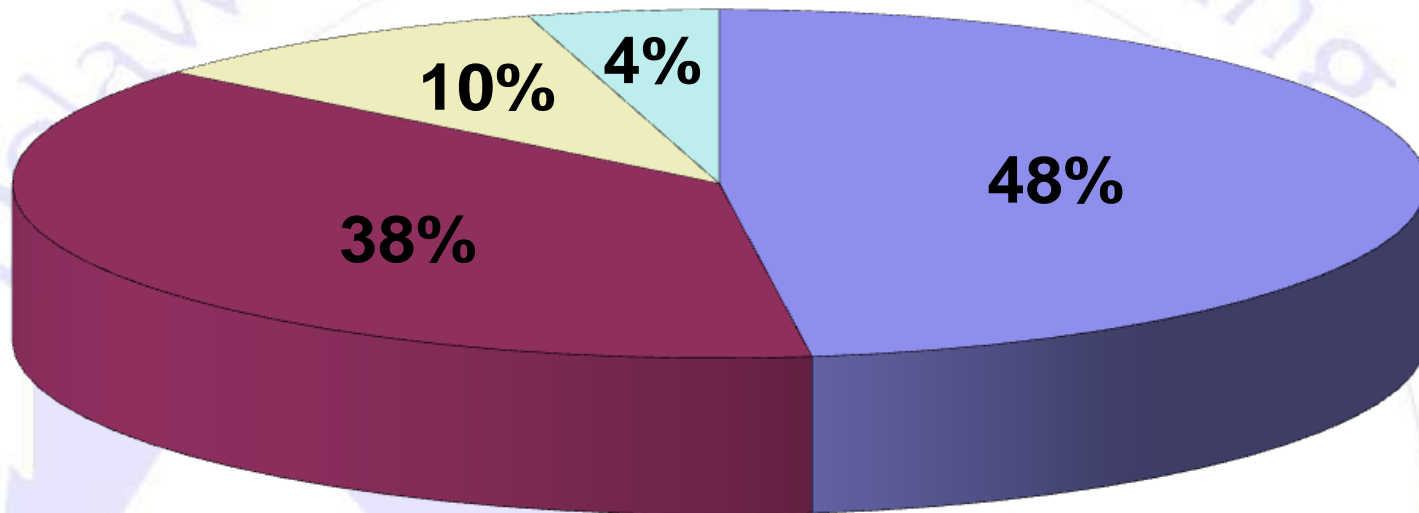
Program Funding
\$203 Million





DSHA Funding Sources FY 2011

**Operations Funding
\$11.5 Million**



■ Federal Admin Fees

■ Bond Lending Revenues

■ Multi-Family Lending Revenues

■ Interest



Core Service: Homeownership



Homeownership

Key Programs

- First-Time Homebuyer Program (mortgage bonds)
- Second Mortgage Assistance
- Foreclosure Mitigation
- Housing Counseling





Homeownership

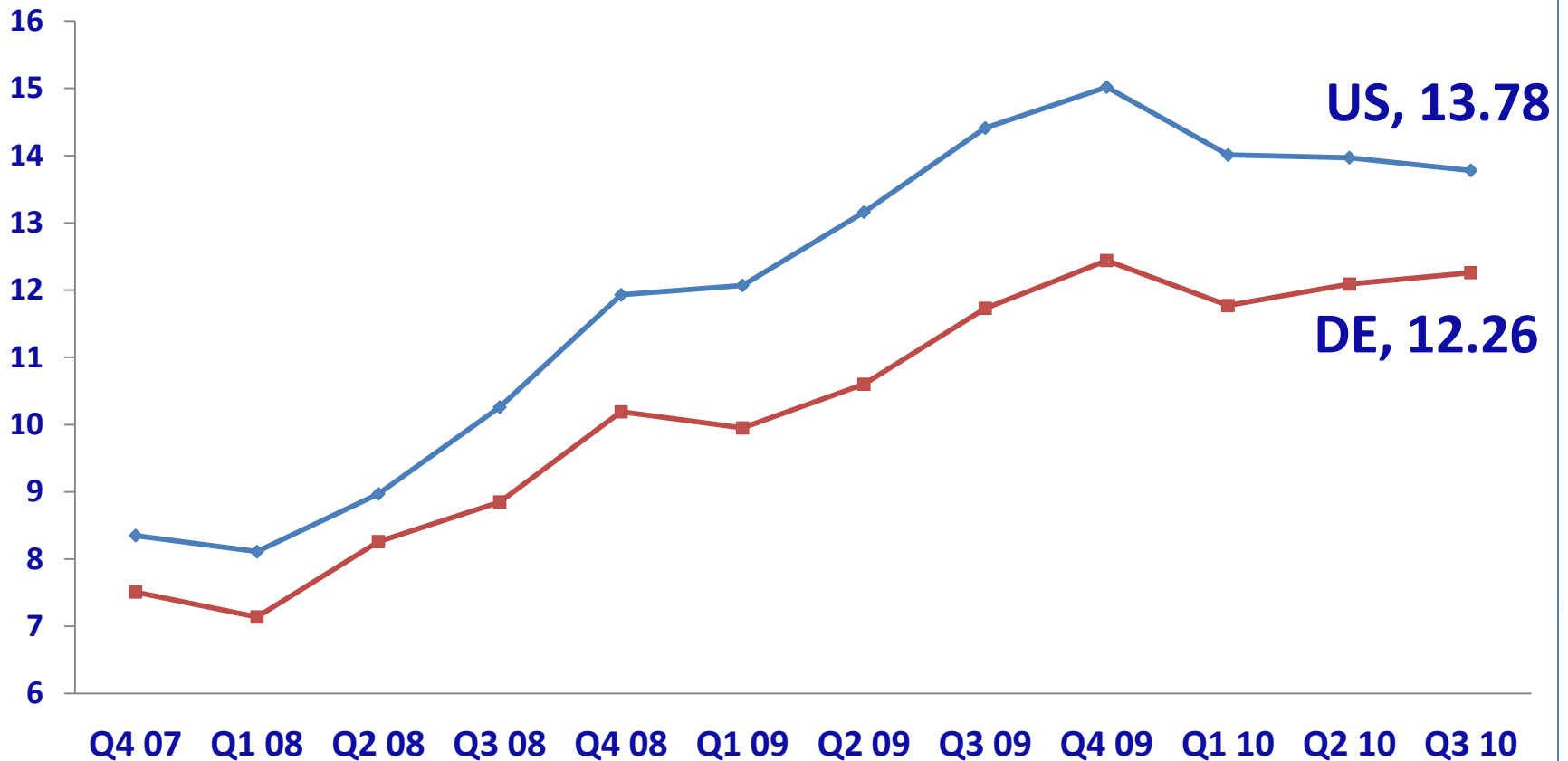
Challenges

- Low Demand - economic uncertainty
- Underwriting Criteria – harder for families to afford homes
- Foreclosure— job loss



Mortgage Loan Delinquencies

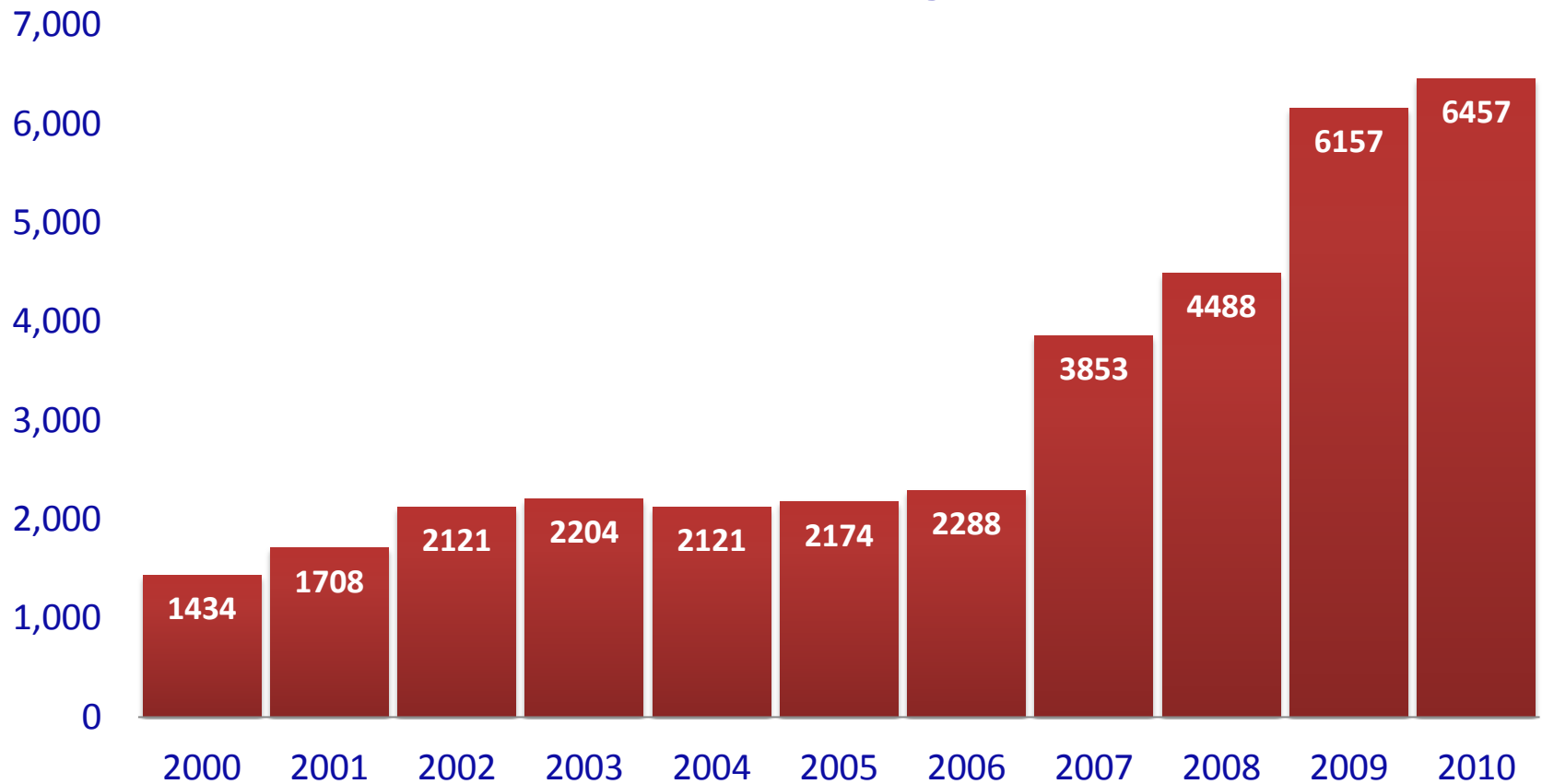
Percent of Loans Past Due (30+ days) or In Foreclosure (%)





Foreclosure Filings

Delaware Foreclosure Filings 2000 - 2010





Foreclosures in Delaware

Governor's Foreclosure Mitigation Initiative:

1. Before mortgage delinquency: education and outreach
2. During foreclosure: mortgage assistance programs (state, federal, bank)
3. After foreclosure: help families and communities recover

DSHA FY10 Foreclosure Prevention Activities:

- ✓ **700** families assisted with default counseling
- ✓ **181** families assisted with rescue funds (HGAP, DEMAP)
- ✓ **8,000+** direct contacts with troubled homeowners
- ✓ **150** units brought back on line after foreclosure



Core Service: Affordable Rental



Affordable Rental

Key Programs

Development/Finance

- Housing Development Fund (HDF)
- Low Income Housing Tax Credit

Rental Assistance

- Public Housing and Rental Subsidies

Monitoring and Compliance

- Asset Management

Affordable Rental

Challenges



- Weak Tax Credit Equity Markets
- Loss of Federal Stimulus Funding
- Preservation of Affordable Rental Housing



Preservation Needs Assessment

Needs Assessment:

- ✓ Statewide collaboration with housing providers
- ✓ **200** affordable rental sites surveyed – **11,235 Units**
- ✓ Risk assessment done on each site
- ✓ Scoring and prioritization of risk assessment

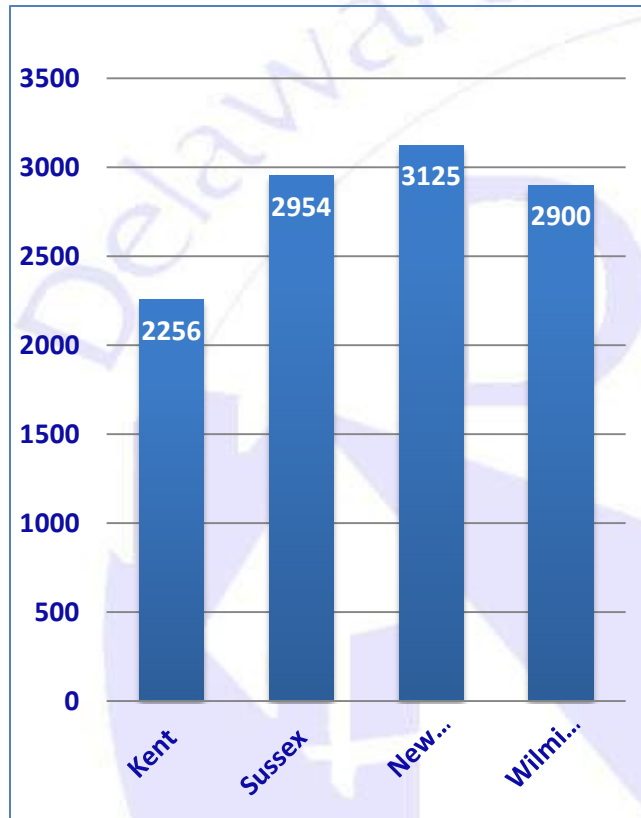
Outcome:

- ✓ Multi-partner effort
- ✓ Ability to plan for allocation of scarce resources
- ✓ Safe and decent housing for vulnerable population



Long-Term Preservation Strategy

Total Units 11,235



Inventory Facts:

Of 100% of sites –

43% are over 15 years old

40% have reserves below \$1500/unit

26% have total reserves below \$50,000

44% are in fair/poor physical condition

32% have contracts expiring by 2015



FY12 Budget Request

<i>General Fund Budget</i>	
HDF Base Budget	\$4,070,000
<i>Capital Fund Budget</i>	
Affordable Rental Preservation Program	\$4,000,000
State Rental Assistance Program	\$1,500,000
Total DSHA Budget	\$9,570,000



General Fund Item: HDF Base Budget **\$4,070,000**



Housing Development Fund

FY10 Total Unit Production Report

Rental Housing

Rehabilitation/Preservation	200 Units
Special Populations	64 Units

Homeownership

Rehabilitation	250 Units
Gap Financing	31 Units
New Construction	9 Units
Acquisition/Rehab	7 Units



Lexington Green Before



Lexington Green During Rehab





Lexington Green Near Completion



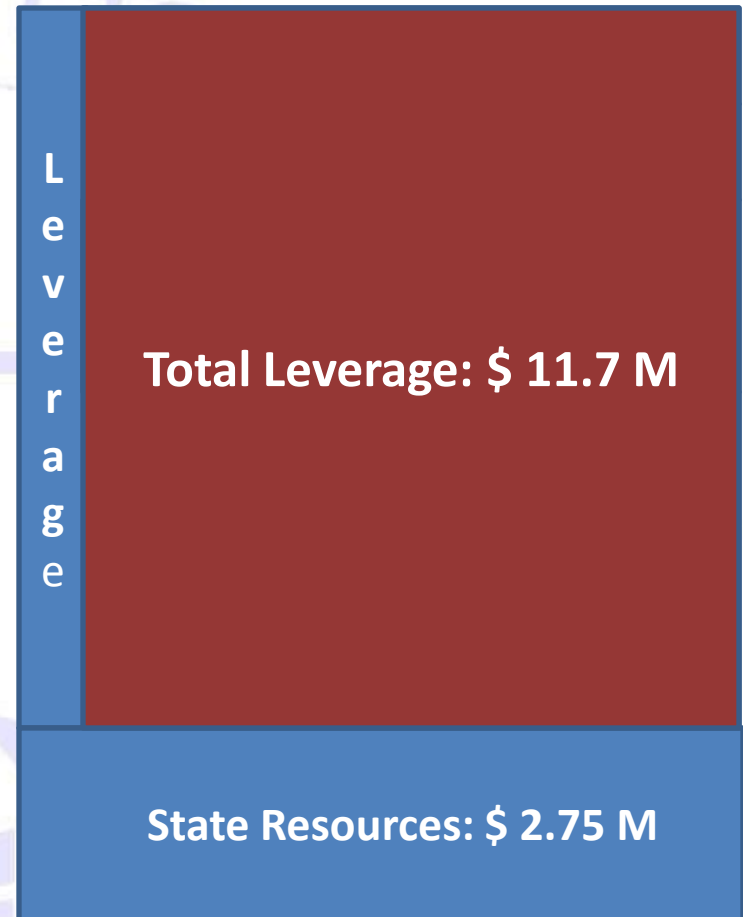


Lexington Green

The Deal

Lexington Green Partners:

- Wilmington Trust
- DCIC
- New Castle County
- Federal Stimulus Programs
- DSHA





Housing Development Fund

Base Budget Request **\$4,070,000**

1. Affordable Rental Housing

- ✓ Rehabilitation of existing units
- ✓ Creation of new units

2. Affordable Homeownership

- ✓ New units
- ✓ Owner-occupied rehabilitation
- ✓ Housing counseling



HDF

Leverage and Economic Activity

Each State dollar generates \$4 in other funding for affordable housing development projects.

\$4 million state allocation = \$16 million leveraged

University of Delaware/Delaware Housing Coalition study shows that for each \$1 invested in housing by the state, \$7 in economic activity is created.

\$4 million state allocation = \$28 million in economic activity generated



Capital Fund Item: Preservation \$4,000,000



Rental Housing Preservation

Capital Fund: **\$4,000,000**

FY 11 Production from **\$4.5 million**:

- ✓ Preserved 2 sites
- ✓ **248** units
- ✓ **\$76** million annual federal rent subsidy saved

FY12 forecast outcomes from **\$4 million**:

- ✓ Preserve 2-3 sites
- ✓ **150-250** units
- ✓ **\$81 million** total federal rent subsidy saved



Capital Fund Item: State Rental Assistance Program **\$1,500,000**



Reality Check

Fiscal Challenge (State)

- ✓ Cost of \$90,000 to \$200,000 to care for one individual in a DHSS facility for one year
- ✓ Cost of \$19,900 to care for children in foster care before family unification

Social Challenge (Individual)

- ✓ Less freedom and independence
- ✓ Lack of interaction with community
- ✓ Hard to maintain employment or continue education



State Rental Assistance Program

Capital Fund: **\$1,500,000**

- ✓ Joint proposal with DHSS and DSCYF
- ✓ Tenant-based rental subsidy (≈\$8,000/year)
- ✓ Affordable housing with community-based supportive services
- ✓ Serving extremely-low-income families (≈\$20k per year for a family of 4)
- ✓ Bridge to other housing services



State Rental Assistance Program - Outcomes

Output:

Move individuals out of high cost institutional care and into home- and community-based programs.

Outcomes:

- ✓ Cost savings/cost avoidance for the state
 1. Lower cost to serve individual
 2. Less future capacity needed
 3. Reduced stress on state services
- ✓ Higher quality of life
- ✓ More appropriate level of care



FY12 Budget Request

<i>General Fund Budget</i>	
HDF Base Budget	\$4,070,000
<i>Capital Fund Budget</i>	
Affordable Rental Preservation Program	\$4,000,000
State Rental Assistance Program	\$1,500,000
Total DSHA Budget	\$9,570,000



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Thank you!

◆ *Putting Housing to Work* ◆





Delaware State Housing Authority

FY 2013 Joint Capital Improvement and Bond Bill Committee Hearing Presentation

February 29, 2012

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Delaware State Housing Authority

Agenda:

DSHA Core Services

Delaware Housing Market

FY 2012 Production Report

State Rental Assistance Program (SRAP)

Housing Development Fund (HDF)

FY 2013 Bond Bill Request

Affordable Rental Housing Program





DSHA

Core Services

Homeownership

Key Activities:

- First-Time Homebuyer Mortgages
- Second Mortgage Assistance
- Foreclosure Mitigation
- Home Rehabilitation

Rental

Key Activities:

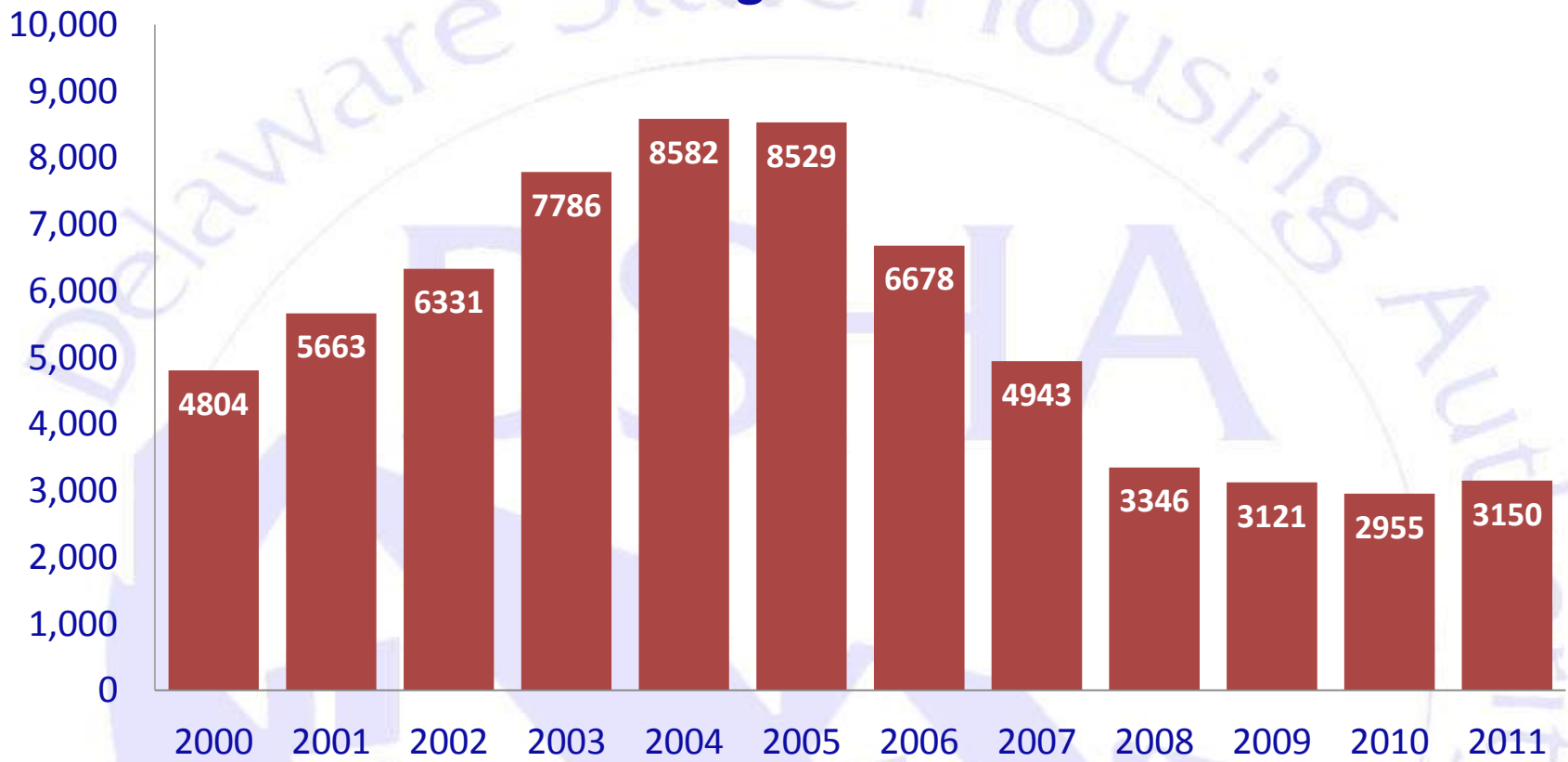
- Rental Housing Development
- Rental Subsidies
- Asset Management / Compliance





Housing Market Review: Building Permits

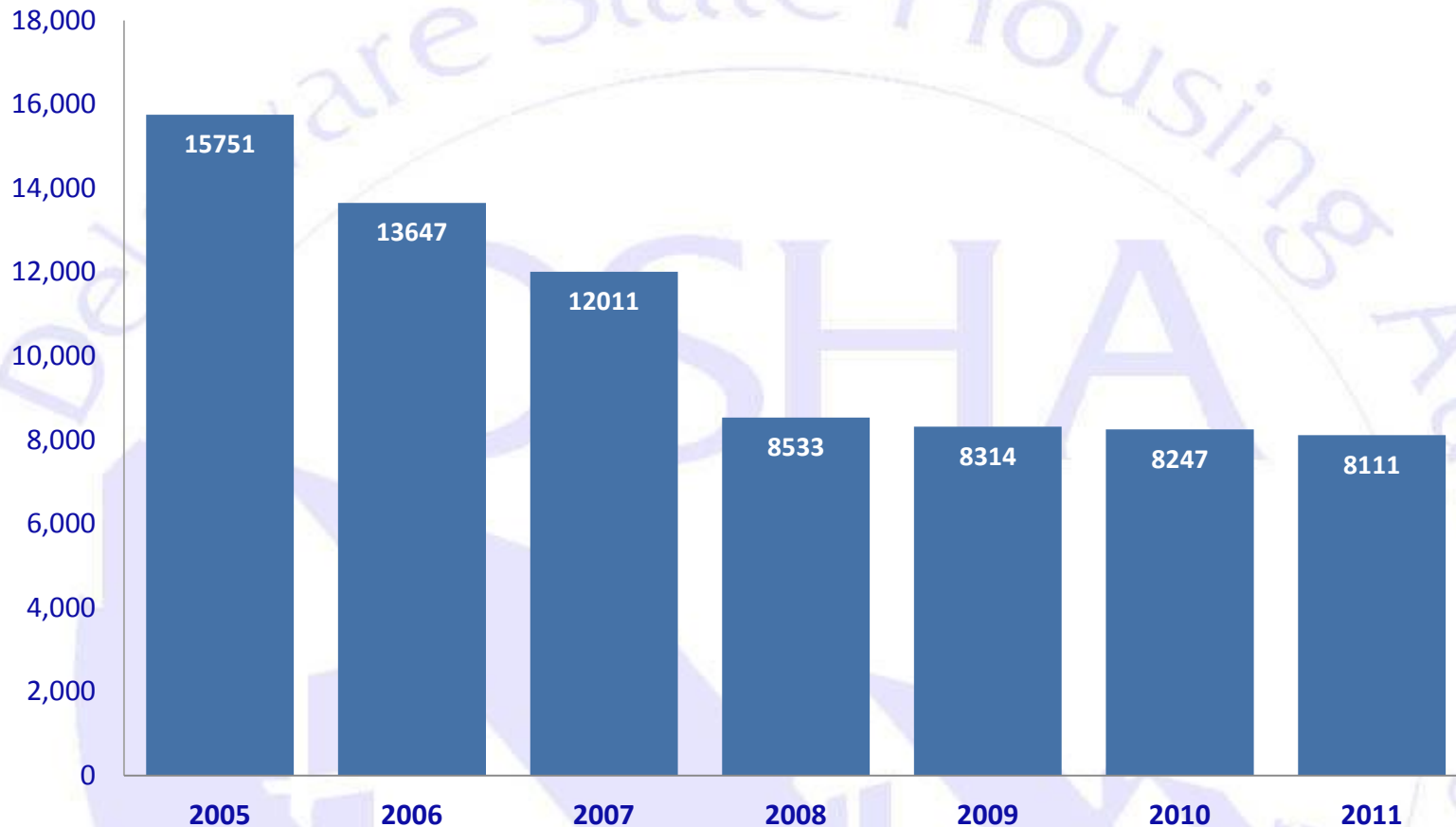
Delaware Building Permits 2000 - 2011





Housing Market Review: Home Sales

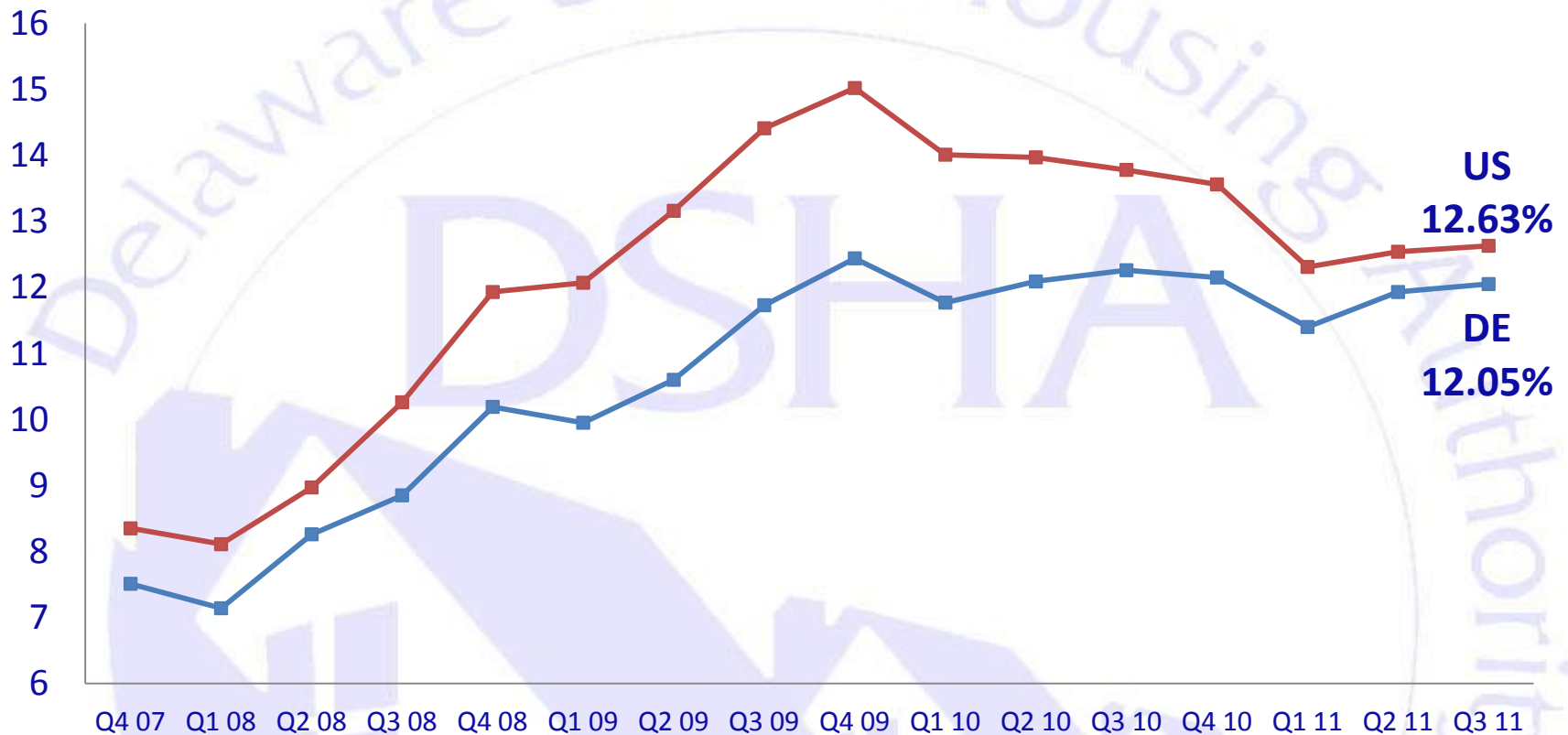
Delaware Home Sales 2005 - 2011





Housing Market Review: Mortgage Loan Delinquencies

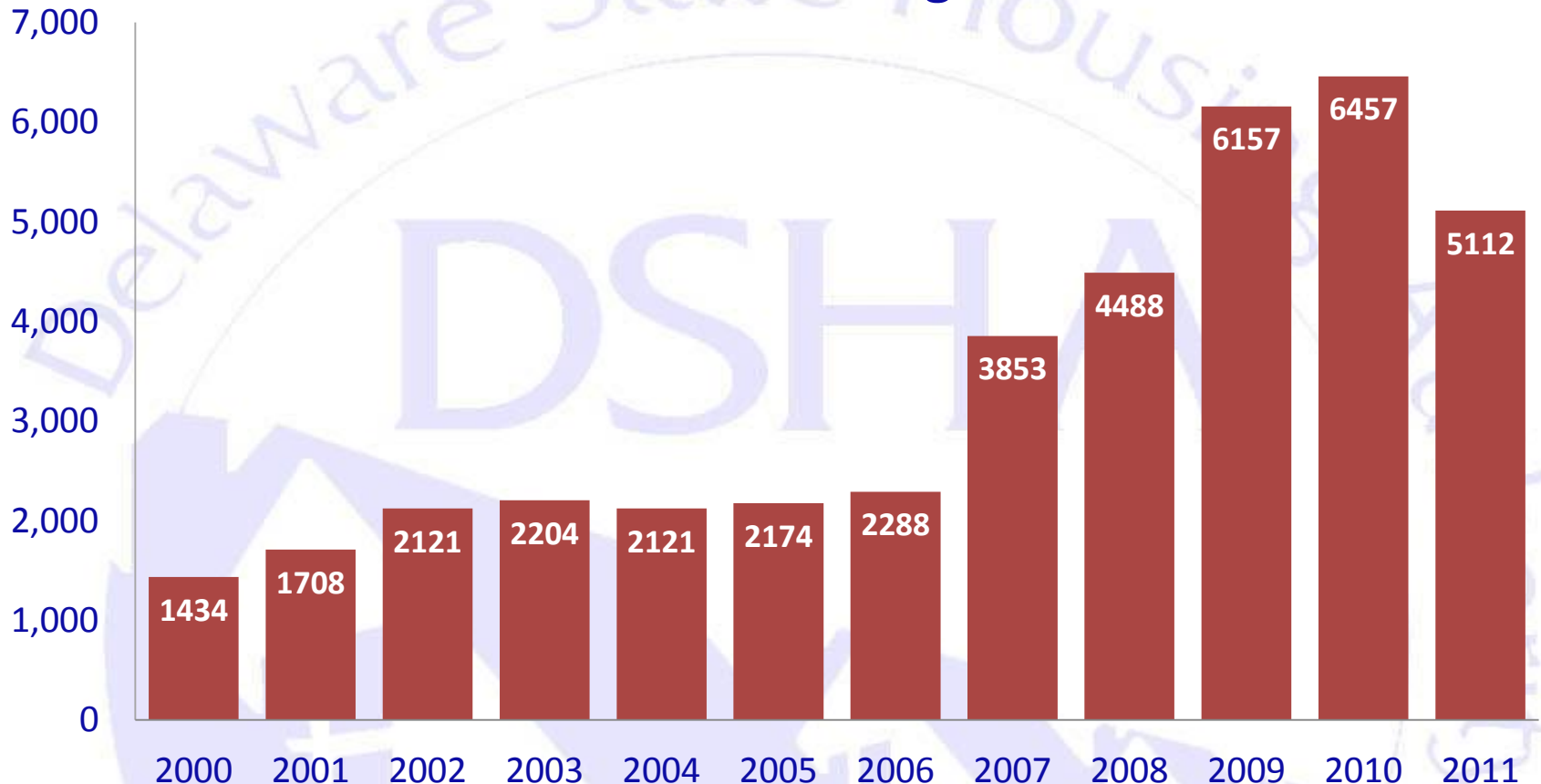
Loans 30+ Days Past Due or in Foreclosure (%)





Housing Market Review: Foreclosure Filings

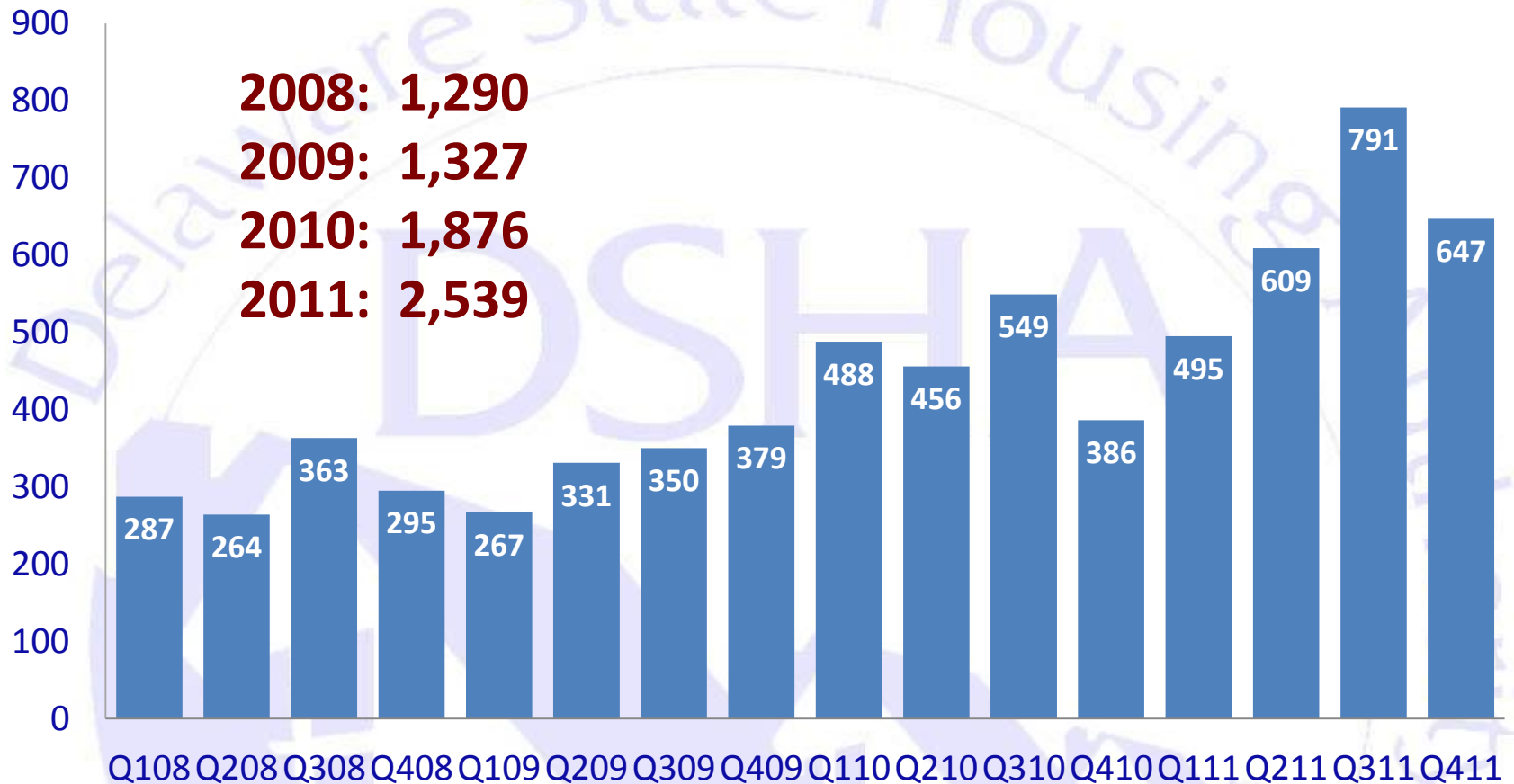
Delaware Foreclosure Filings 2000 - 2011





Housing Market Review: Sheriff Sales

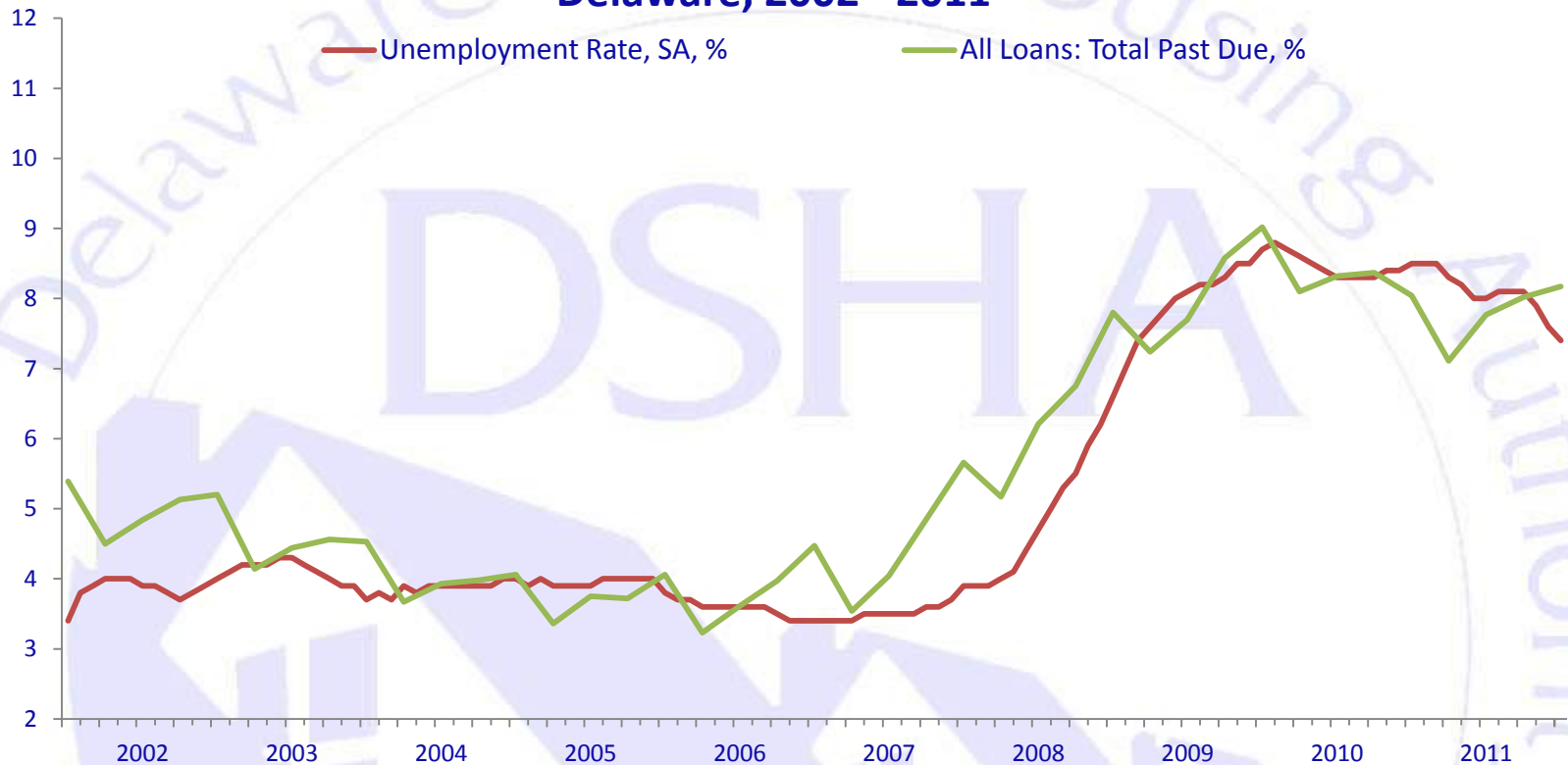
Delaware Sheriff Sales 2008 - 2011





Housing Market Review: Delinquencies and Unemployment

**Unemployment and Total Loans Past Due
Delaware, 2002 - 2011**



Sources: Bureau of Labor Statistics, Mortgage Bankers Association



FY 2013 Budget Request

Capital Fund Budget	
Affordable Rental Housing Program	\$4,000,000
General Fund Budget	
HDF Base Budget	\$4,070,000
State Rental Assistance Program	\$3,000,000
Total DSHA Budget	\$11,070,000



State Rental Assistance Program

Production Report

\$1.5 million in FY 12 Bond Bill



Purpose

The purpose of the State Rental Assistance Program (SRAP) is to assist low-income individuals who require affordable housing and supportive services to live **safely and independently** in the community.



Populations Served

- ✓ Clients exiting long-term care facilities
- ✓ Youth aging out of foster care
- ✓ Families for whom the lack of affordable housing is a barrier to reunification
- ✓ Individuals at-risk of requiring services from a state-supported institution





State Rental Assistance Program FY 2012 Implementation

- ✓ \$1.5 million in FY 2012 Bond Bill
- ✓ Program launched on August 1
- ✓ 156 Applications as of February 1
 - ✓ 113 Vouchers Issued
 - ✓ \$1,217,448 approved/reserved



**Serve 300 individuals/families with \$3 million
in FY 2013**



Housing Development Fund

FY 11 Production Report



Housing Development Fund

What is the HDF?

1. Rental Housing Development

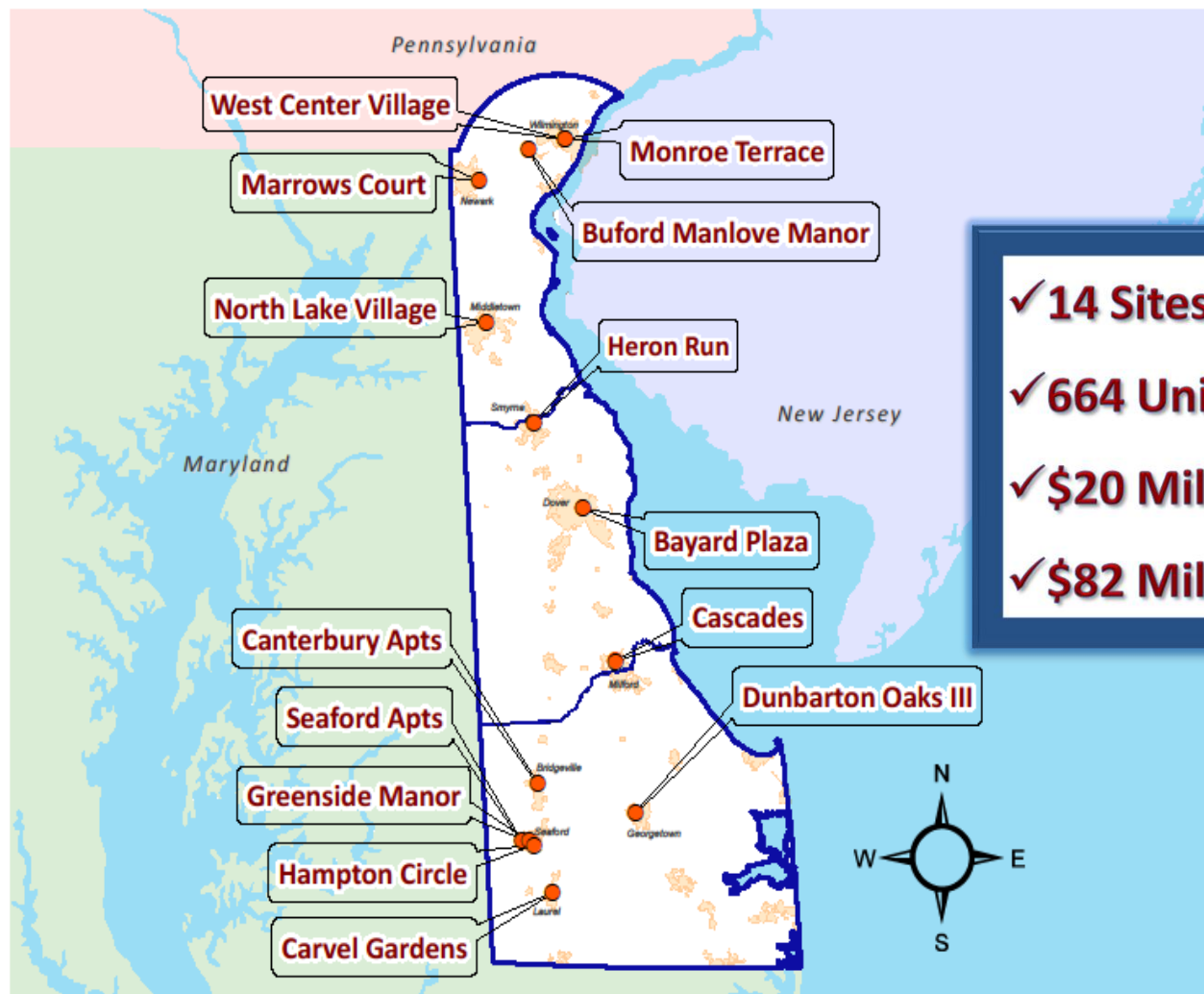
- Create new affordable rental housing
- Preserve existing affordable rental housing
- Leverage federal tax credits, private investment

2. Grants and Loans to Housing Providers

- Security deposit
- Housing rehab
- Homeless services
- Land acquisition
- Homeownership
- Group homes
- Housing counseling
- Foreclosure prevention



DSHA Rental Housing Development FY 10-12



- ✓ 14 Sites
- ✓ 664 Units
- ✓ \$20 Million State
- ✓ \$82 Million Leveraged



Housing Development Fund FY 2011 Rental Housing Development

HDF FY 2011 Project Funding Summary:

HDF Dollars Allocated	\$12.1 million
Low Income Housing Tax Credits (equity)	\$20.1 million
Private Loans	\$26.6 million
Other (Federal, Donations, Contributions)	\$11.9 million
TOTAL	\$70.7 million

- ✓ **HDF Leveraged Amount** **\$58.6 million**
(4.8 : 1 ratio)
- ✓ **Economic Activity Created** **\$84.7 million**
(7:1 ratio)
- ✓ **Jobs Created or Retained** **315**

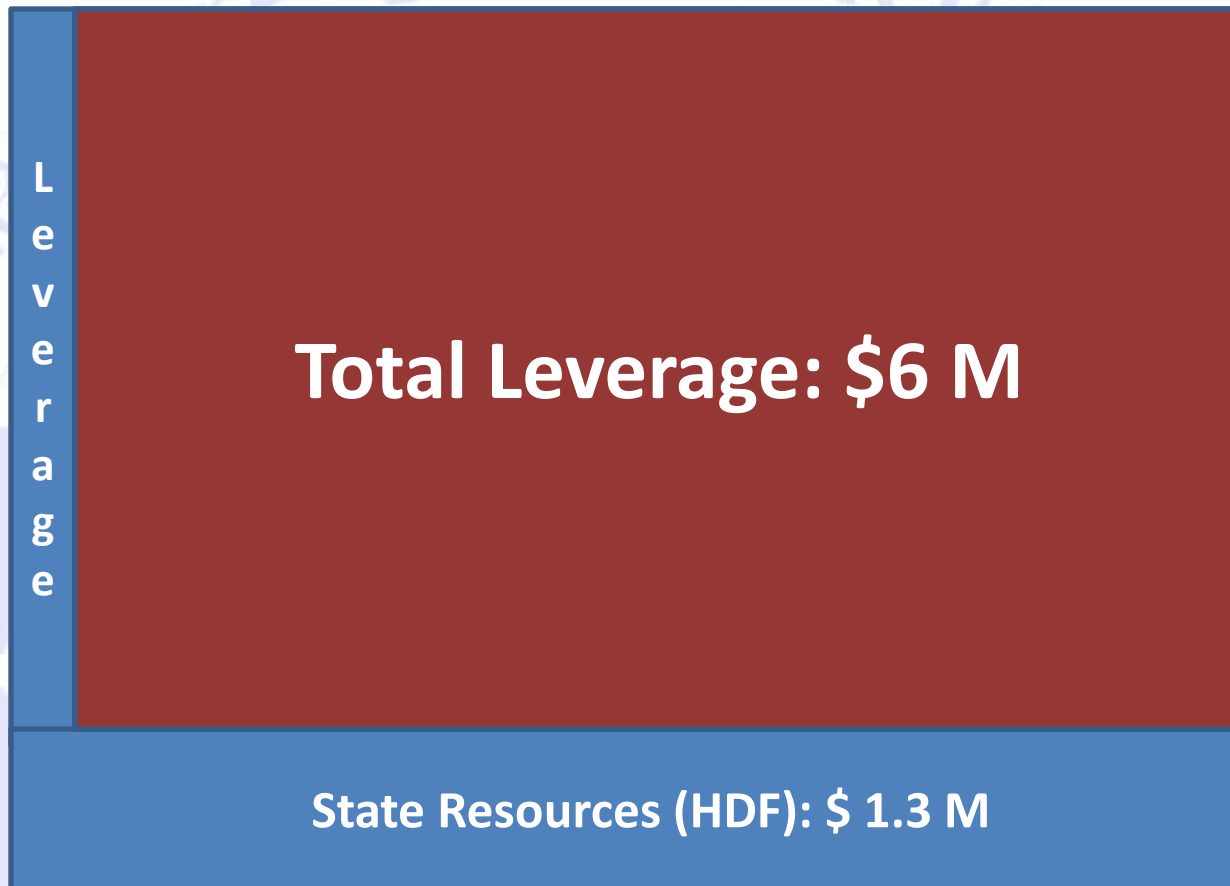


Housing Development Fund

Project Leverage

(Buford Manlove Manor)

HDF Investment Leverage Ratio is 4.6 to 1





Housing Development Fund

Buford Manlove Manor

Apartments

- Located in Wilmington, DE
- **40** Elderly/disabled units
- Federal rental subsidy of **\$234,000** /year
- ADA units increased from **4 to 8**
- Community building
 - New community meeting space

Buford Manlove Manor— Before



Buford Manlove Manor Architect's Rendering



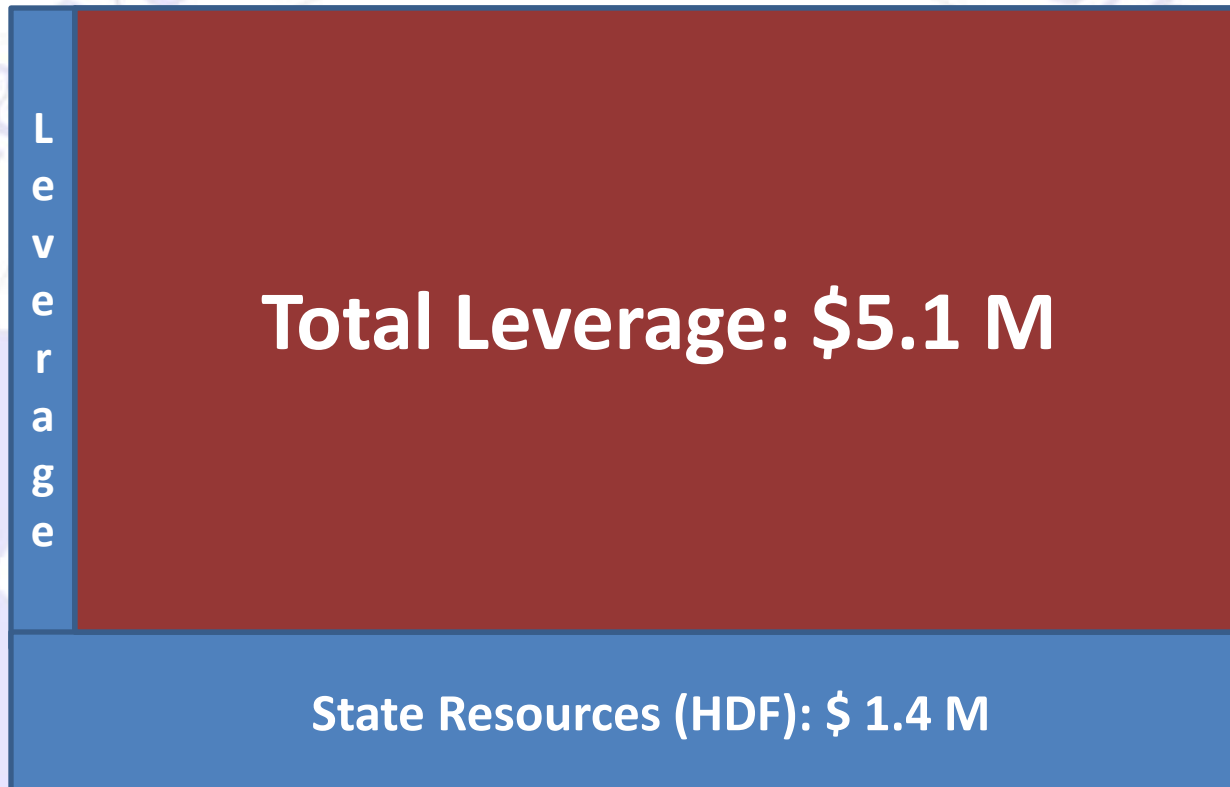


Housing Development Fund

Project Leverage

(Greenside Manor)

HDF Investment Leverage Ratio is 3.6 to 1





Housing Development Fund

Greenside Manor Apartments

- Located in Seaford, DE
- **40** family units
- Federal rental subsidy of **\$250,000** /year
- **8** ADA units
- Community building
 - Meeting rooms and computer lab
- Energy Efficiency Upgrades using SEU



Greenside Manor — Before/During Construction





Greenside Manor - After





Affordable Rental Housing Program

FY 13 Bond Bill Funding Request

\$4,000,000



Affordable Rental Housing Program

\$4,000,000

Need for an ongoing rental housing investment program funded by the state

FY 2013 outcomes from \$4 million:

- ✓ Leverage Federal tax credit programs
- ✓ Preservation and new construction of shovel-ready projects
- ✓ 2-3 sites (**100-150** units)
- ✓ Leverage **\$16 million** in other funds
- ✓ Economic impact of **\$28 million**



FY 2013 Budget Request

Capital Fund Budget	
Affordable Rental Housing Program	\$4,000,000
General Fund Budget	
HDF Base Budget	\$4,070,000
State Rental Assistance Program	\$3,000,000
Total DSHA Budget	\$11,070,000



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Thank you!





Delaware State Housing Authority

FY 2014 BUDGET PUBLIC HEARING

TUESDAY, NOVEMBER 27, 2012

DELAWARE STATE HOUSING AUTHORITY
18 THE GREEN ☞ DOVER, DE 19901
(302) 739-4263 ☞ (888) 363-8808
www.DESateHousing.com



Agenda

- **DSHA At a Glance**
- **FY14 Budget Request**
 - **HDF Base Budget**
 - **Affordable Rental Housing Program**
 - **State Rental Assistance Program**





DSHA

Core Businesses

◆ Homeownership

Key Activities:

- Homebuyer Mortgages
- Second Mortgage Assistance
- Foreclosure Mitigation
- Home Rehabilitation

Challenges

- Low Demand - economic uncertainty
- Underwriting Criteria – harder for homebuyers to get loans
- Foreclosure– job loss

◆ Rental

Key Activities:

- Rental Housing Development
- Multi-Family Site Preservation
- Rental Subsidies
- Asset Management

Challenges

- Increased Demand
- Stricter Permanent Lending Underwriting Criteria
- Preservation of Affordable Rental Housing



DSHA

New Initiatives

- ✓ State Rental Assistance Program
- ✓ Home Again
- ✓ Loans for Heroes
- ✓ Wilmington Senior Tax Assistance Program
- ✓ DelawareHousingSearch.org





FY14 Budget Request

HDF Base Budget	\$4,070,000
Affordable Rental Housing Program	\$6,000,000
State Rental Assistance Program	\$3,000,000
Total DSHA Budget	\$13,070,000





Housing Development Fund FY12 Production Report





Housing Development Fund FY12 Unit Production

Rental Housing

Rehabilitation/Preservation	264 Units
New Construction	76 Units
Rental / Security Deposit Assistance	448 Units

Homeownership

Rehabilitation	285 Units
Acquisition/Rehabilitation	16 Units
New Construction	27 Units
Pre-Purchase Counseling	425 Units





Housing Development Fund FY12 Leverage

FY12 Permanent Financing Summary:

HDF Dollars Allocated	\$10.2 million
Low Income Housing Tax Credits	\$32.4 million
Private Loans	\$2.3 million
Other (Federal, Donations, Contributions)	\$14.1 million
TOTAL	\$ 59.0 million

- ✓ HDF Leveraged Amount **\$48.8 million**
(4.8 : 1 ratio)
- ✓ Economic Activity Created **\$71.4 million**
(7:1 ratio)
- ✓ Jobs Created or retained **408**



Cascades



Foreclosed Development



During Construction



Heron Run



Before Renovation



During Construction



Heron Run Completed





Heron Run Solar Panel Installation





Housing Development Fund FY14 Budget Request

\$4,070,000 Base Budget

\$6,000,000 Bond Bill





Housing Development Fund

\$4,070,000



Affordable Rental Housing

- ✓ Rehabilitation of existing units
- ✓ Creation of new units

Affordable Homeownership

- ✓ New units
- ✓ Owner-occupied rehabilitation
- ✓ Housing counseling





Affordable Rental Housing Program

\$6,000,000

State Investment in Affordable Rental Housing Stock

FY14 outcomes from **\$6 million**:

- ✓ Leverage Federal tax credit programs
- ✓ Preservation and new construction of shovel-ready projects
- ✓ 2-3 sites (**150-200** units)
- ✓ Leverage **\$24 million** in other funds
- ✓ Economic impact of **\$42 million**
- ✓ **200** Delaware jobs





State Rental Assistance Program FY 13 Production Report \$3,000,000 FY 2013 Budget





SRAP Production Finance Report

SRAP Production and Pipeline (as of 10/31/2012):

Applications Pending		Vouchers Issued		Units Leased		Total	
Applications Pending	Funds Reserved (1)	Vouchers Issued	Funds Reserved (1)	Units Leased	Funds Encumbered (2)	Application, Vouchers and Units	Total Funds Reserved and Encumbered
70	\$595,000	81	\$688,500	143	\$1,170,312	294	\$2,543,812

(1) Based on annual estimate of \$8,500 per Voucher

(2) Based on actual expenditures





SRAP Production Vouchers Issued

SRAP Vouchers by Agency	
DHSS-DSAAPD/DMMA	46
DHSS-DDDS	12
DHSS-DSAMH	94
DSCYF-Youth	41
DSCYF-Families	31
TOTAL	224

- ✓ 13 Participants have transitioned to other permanent housing
- ✓ 12 participants have been terminated from the program due to violations





DPC Settlement Agreement

SRAP is a key tool in the State's effort to implement the DOJ Settlement on the Delaware Psychiatric Center (DPC)

- ✓ DSAMH has transferred additional funding to the SRAP program to ensure Settlement housing goals are met
- ✓ July 2012 goal was to provide 100 additional new housing vouchers (SRAP provided 75)
- ✓ July 2013 goal is to provide 200 additional new housing vouchers (SRAP target is 150)
- ✓ FY 14 growth in the funding for the SRAP program primarily will be targeted to ensure we meet future goals of the Settlement





DPC Settlement Agreement

SRAP is starting to show a cost avoidance benefit – especially with people covered by the Settlement Agreement

- ✓ **119*** SRAP vouchers issued to DSAMH clients exiting DPC or at-risk of admission to DPC.
- ✓ Average length of stay at DPC for these clients is 60-days at a cost of **\$36,180** per client or **\$4,305,420** for all 119 clients.
- ✓ The cost to provide SRAP rental housing assistance to the same cohort of 119 is **\$973,896**.
- ✓ Cost avoidance for this one sub-population of SRAP in the first of their participation in the SRAP program is **\$3,331,524**.

*Including 25 SRAP vouchers funded by DSAMH



SRAP

FY14 Budget Request

\$3,000,000

To continue the program and continue to provide housing to 350 current and new SRAP program participants.





SRAP Client Referral from DSCYF

- ✓ 22-year-old woman
- ✓ Placed in foster care for 2 years
- ✓ Exited foster care in 2009
- ✓ Stabilized through SRAP housing assistance
- ✓ Graduated from Delaware Tech
- ✓ Has a full-time job, owns a car, and is a homeowner





SRAP Client

Referral from DSAMH

- ✓ 36-year-old man
- ✓ 20-year history of schizophrenia, homelessness, incarceration, and hospitalization
- ✓ Multiple admissions to DPC
- ✓ Moved into an apartment in November 2010 using a short-term rental subsidy from DHSS
- ✓ Secured SRAP in October 2011 with the help of an Assertive Community Treatment (ACT) Team
- ✓ Has gained steady employment



FY14 Budget Request

HDF Base Budget	\$4,070,000
Affordable Rental Housing Program	\$6,000,000
State Rental Assistance Program	\$3,000,000
Total DSHA Budget	\$13,070,000





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Thank you!

