

MEMORANDUM

TO: Christopher Bullock, President, New Castle County Council
Members, New Castle County Council

COPY: Thomas P. Gordon, County Executive
Timothy P. Mullaney, Sr., Chief Administrative Officer

FROM: George O. Haggerty, Jr., Acting Land Use General Manager

DATE: June 27, 2016

Subject: Annual Report: Workforce/Traditional Neighborhood Housing Program
Calendar Years 2007 through 2015

The New Castle County Department of Land Use is pleased to submit an Annual Report to County Council regarding an analysis of the use and effectiveness of the former Workforce Housing Program and the newly established Traditional Neighborhood Housing Program in New Castle County, Delaware. This report is prepared pursuant to former Section 40.07.353 of the New Castle County Code as it relates to the former Workforce Housing Program. Future reports on the Traditional Neighborhood Housing Program will be prepared by the Department of Community Services pursuant to Section 40.07.580 of the New Castle County Code.

PURPOSE

Workforce Housing Program (established March 2008) – Per former Section 40.07.301, the intent of the County is to promote workforce housing throughout the County, by offering incentives to workforce development project developers who designate a portion of their projects as workforce, and who make a designated contribution to the Housing Trust Fund to assist with the provision of affordable housing. The program is intended to help implement the housing strategies outlined in the 2007 New Castle County Comprehensive Plan Update and the 5-year Consolidated Housing Plan for New Castle County. It is projected to insure that diverse housing options exist throughout the county to accommodate a wide range of incomes, those with special needs and a significant proportion of those who wish to work and/or live in the county.

Traditional Neighborhood Housing Program (established December 2014) - Per Section 40.07.501, the intent of the Traditional Neighborhood Housing Program adopted by County Council on December 9, 2014 and effective on December 19, 2014 is to promote moderately priced housing that is designed to be available to working families throughout the County, by requiring all major residential subdivisions with a rezoning application or variance application proposing an increase in density to include moderately priced dwelling units. The program also

offers an optional density increase for major residential subdivisions not requiring a rezoning if a portion of the dwelling units are designated as moderately priced.

CODE HISTORY

Ordinance 07-150. Adopted by County Council on February 26, 2008, the purpose of the ordinance was to encourage the construction of a diverse selection of housing types throughout New Castle County that will accommodate a wide range of income levels and enable more residents to live and work in the County. The ordinance provided a voluntary Workforce Housing Program that included developer incentives in the UDC to add certainty to the development process and remove impediments that may have previously discourage developers from constructing new workforce housing units.

Ordinance 08-113. Adopted by County Council on December 9, 2008, the ordinance provided a temporary stay on the submission of land development plans that proposed the creation of new workforce housing until County Council had an opportunity to review the program to date and to revisit the incentives offered as part of the program.

Ordinance 08-121. Adopted February 24, 2009, the ordinance clarified and improved the workforce housing legislative initiatives intended when County Council adopted the initial program. Specifically, the workforce housing legislation was amended to:

- 1) require that units priced for low and moderate income households be owner-occupied; and
- 2) require that an existing record plan proposing more than a 50% increase in lots or more than 100 lots (whichever is less) will be considered a major land development plan; and
- 3) prohibit attached, semi-attached and multi-family dwelling units in plans that area not open space planned developments; and
- 4) remove the Department's ability to permit some flexibility in the site development incentives; and
- 5) remove the provision for an expedited plan review process; and
- 6) clarify the affordability period.

Ordinance 13-089. At the time workforce housing provisions were adopted in 2008, it was noted that the legislation would be carefully monitored to determine its success in providing adequate housing for all of New Castle County's citizens. With a total 19 land development plans that included 341 workforce housing dwelling units and where 31 workforce units having received certificates of occupancy, the time was right for the County to take a step back and to do a complete and thorough reevaluation of the program. At this same time, the County had hired a new Land Use General Manager who was specifically charged with a complete and total reexamination of the entire Unified Development Code. Adopted in January 2014, the ordinance provided for a temporary (180-days, plus a 90-day extension option) on the workforce housing development options. It provided the County Council and the Administration an opportunity to develop provisions that will better meet the goals designed to increase home ownership opportunities, promote affordable housing, strengthen communities, and ensure equal opportunities in housing.

Ordinance 14-071. During the spring and summer of 2014, New Castle County continued its efforts to analyze information and sought assistance from a nationally recognized firm to help develop new provisions that would better meet the goals designed to increase home ownership opportunities, promote decent affordable housing, strengthen communities and ensure equal opportunities in housing. This ordinance adopted in July 2014, extended the 180-day stay for an additional 90 days to October 25, 2014.

Ordinance 14-083. Adopted by County Council in October 2014, this ordinance was in recognition that the County and its consultants needed additional time to allow for a public vetting of the proposed new program and regulations. The stay was extended through the end of January 2015.

Ordinance 14-108. This ordinance was introduced in October 2014 along with Ordinance 14-109. Ord. 14-108 eliminated the original and amended workforce housing provisions, although the original provisions will continue to apply to the processing of the 19 workforce housing land development plans. The ordinance was adopted in February 2015 after the adoption of Ord. 14-109 which established the new Traditional Neighborhood Housing Program.

Ordinance 14-109. Adopted by County Council on December 9, 2014, this ordinance created the Traditional Neighborhood Housing Program with both a mandatory and voluntary component. Relying upon a report entitled “New Castle County Workforce Housing Report” prepared by the Department of Land Use with assistance from its consultant (Patrick Maier, executive director of Innovative Housing Institute); this new program will facilitate the supply of moderate income housing in New Castle County. The production of moderately priced housing units (MPDU’s) will be required for all residential rezonings and variance applications for density increases on land developments proposing more than twenty-five (25) dwelling units, except for mixed use developments. A density increase will be provided to a developer that voluntarily agrees to provide MPDU’s. Other provisions of the program include:

- 1) for any project that contains MPDU’s, a contribution to the Housing Trust Fund shall be made for all market rate units;
- 2) up to fifty (50) percent of the MPDU’s may be located off-site;
- 3) MPDU’s shall be subject to a ten (10) year affordability period where all conveyances and rentals will be subject to requirements of the program;
- 4) where MPDU’s are mandatory, the County may in limited circumstances allow a developer to pay a fee-in-lieu rather than provide MPDU’s.

The information that follows in this report is accurate through December 31, 2015 and will show data for only the former Workforce Housing Program. With respect to the current Traditional Neighborhood Housing Program, there were no plans submitted through December 31, 2015 (one has been received in 2016 which is not a part of this reporting period).

FORMER WORKFORCE HOUSING PROGRAM SUBMISSIONS

Following the adoption of Ord. 07-150 in February 2008 through December 2014 when the former Workforce Housing Program was replaced, the Department of Land Use received a total of eighteen (18) complete plan submissions for workforce housing development applications.

Five (5) other workforce housing development proposals were received after Ord. 13-089 was introduced and which, when adopted, established a 180-day stay of workforce housing applications. All five applications were considered incomplete at the time. With the elimination of the former workforce housing program when Ord. 14-108 was adopted, the applications were no longer considered valid plans.

Of the remaining eighteen (18) workforce housing plans, eight (8) have expired while the other ten (10) have been recorded. There are no longer any workforce housing plans under review within the Department. A summary of the former workforce housing projects is as follows:

Summary of Workforce Housing Projects			
Status	No. of Plans	Total Lots	Workforce Housing Lots
Active	0	0	0
Expired	8	1,804	394
Recorded	10	3,020	341
Totals	18	4,824	735

While the former workforce housing program was immediately well received within the development community (of the total 18 complete submissions, only one was received after 2008), the interest in the program and the number of subsequent plans submitted dropped dramatically after 2008.

As is evident from the chart above, the original program never reached its full potential as nearly half of all the workforce housing plans which included 394 workforce housing lots were left to expire. Almost as glaring is the low number of workforce housing lots that are occupied by qualified households. In the years since adoption of the original program through December 2015, only 94 units are occupied by qualified households, and only 17 of these units are owner occupied (see chart below). Additionally it was anticipated that voluntary participation in the program would result in \$500,000 to \$600,000 deposited annually in the Housing Trust Fund beginning in FY 2010. As of December 31, 2015, the balance in the Trust Fund was \$742,772.65 – well short of the anticipated balance.

It is clear that the 2008 – 2010 downturn in the economy, banking policy changes, and the subsequent devaluing of much of the housing market contributed to the decline in submission of workforce housing plans. Add to that the growing resentment from many neighboring communities with respect to infrastructure and community character and the lack of true success of the program since 2008, the County Council and the Administration determined that a new and more proactive (mandatory) program might be more effective.

Workforce Housing Developments Recorded				
Name	Total Permits Issued (as of 12/31/15)	Certificate of Occupancy Issued (as of 12/31/15)	Workforce Housing Units Occupied	
			Owner Occupied	Rentals
Emblem at Christiana	9	0	0	0
Goldsborough Farms	46	46	4	0
High Hook Farms	78	75	12	0
Ironside Crossing	0	0	0	0
Marra Landing	27	27	0	6
Ponds of Odessa	18	3	0	0
Preserve at Robinson Farms	48	27	1	0
Reserve at Becks Pond	5	5	0	48
Spring Oaks	0	0	0	0
Village of Bayberry North	430	381	0	23
Totals	661	564	17	77

TRADITIONAL NEIGHBORHOOD HOUSING PROGRAM

The Traditional Neighborhood Housing Program closely follows the recommendations provided in the Moderately Priced Housing Report. In particular, the consultants provided the following general recommendations:

- Apply the MPDU Ordinance to all residential rezoning applications.
- Require all rezoned residential developments to make 15 to 20 percent of the units moderately priced.
- Provide a voluntary density bonus option of 20 percent for 10 percent moderately priced units.
- Apply the MPDU Ordinance requirement to rental developments, in addition to homeownership developments. MPDU rental units should serve households with qualifying incomes up to 60 percent of the AMI (Annual Median Income).
- Homeownership developments should be required to serve homebuyers at two income levels. Fifty percent of the MPDUs should be affordable to buyers with household incomes up to 90 percent of the AMI and 50 percent of the MPDUs should be affordable to buyers with household incomes up to 75 percent of the AMI. There should be a 10 percent eligibility gap when setting maximum price to increase the pool of potential eligible households.

- Maintain current ordinance fee structure on all market-rate homes in MPDU communities Provide for a payment-in-lieu of option and an ability to provide some of the MPDUs offsite.

The County relied on and has confidence in the figures and assumptions provided in the Housing Report. The program was tailored to the County by referencing the Market Value Analysis contained in Delaware Housing Needs Assessment 2015-2020 published by the Delaware State Housing Authority in September 2014 that categorizes areas throughout the State by market value denoted by a market cluster letter identifier A-H. The market clusters create standards for the location of offsite MPDUs. The program was also tailored to add standards to offsite units because no such standards currently exist in the workforce housing program. The new program will rely on the rehabilitation standards applicable to the New Castle County's Neighborhood Stabilization Program. The Ordinance also raised the income level for eligibility on rental units so that households earning no more than 75% AMI would qualify and raised the maximum rent so that the MPDU would be affordable to households earning 65% AMI. This change better reflects HUDs Fair Market Rent for the Philadelphia-Camden-Wilmington Metropolitan Statistical Area.

SUMMARY AND CONCLUSION

Through December 2015 there were no Traditional Neighborhood Housing Program land development plans submitted. Please note that, pursuant to Section 40.07.580 of the New Castle County Code, the Department of Community Services shall provide County Council with an annual report on the use and effectiveness of the Traditional Neighborhood Housing Program. The Department of Community Services and the Department of Land Use will continue to process and monitor the issuance and location of building permits and certificates of occupancy to insure compliance with the former workforce housing program.