

Housing Overview:

Remarks for Central Delaware Habitat Housing Panel, Sept 22, 2021

by Fred Neil, 3rd District, Dover City Council

No one will view me as a housing expert. I don't have statistics at my finger tips, I don't study trends. I don't make a living providing forecasts. I am an 87 year old senior citizen who started as a professional newsman and wound up being elected to protect citizens of Dover from abuse and help maintain or improve their quality of life.

I am very proud of my role as a Councilman in helping to keep the cost of living in Dover as low as possible with high quality services. Therefore, when meeting with the President of the new Box Company being built in Dover, which is being moved from New Jersey, I was shocked when he said that the high cost of Delaware housing off sets the low cost of utilities and other services provided by the City of Dover.

You do not need expertise to understand that housing is a cornerstone of our economy. You do not need expertise in housing to know that the high cost of housing puts pressure on the minimum wage. You only need to look at the stock market to see that any corporation owning apartments or leased land housing is making a fortune taking advantage of the shortage of housing. I will send you proof if you want to see the evidence. It is the same proof I have sent to all of the State Legislators.

This is why I attend every event of the love driven construction of homes by Habitat, because the new sweat equity home owners have an investment to protect... and an affordable domicile which will not hurt, but will enhance their future. Apartment dwellers and those of us who own homes on leased land are at risk.

Capitalism thrives on competition. When it comes to Apartments and Leased Land Communities there is no competition. Therefore, there is nothing to drive rents down or stabilize them. For those of us on leased land, egregious inequities in State Law permit exorbitant annual rent increases. As an example, RHP, part of a huge conglomerate, purchased my community the end of October 2017. Our lot rent was \$505 per month, As of 2021, lot rent is at \$635 per month...a \$130 per month increase.

RHP raised lot rents at shocking increases at all 5 leased land communities they purchased in Delaware since 2017.

Multi-millions of rent increases from seniors, retired military and low income families flows to investors who do not pay Delaware income tax... hurting the individuals and businesses as the increases leave the State's economy. There are members of the State Legislature who pay homage to the need for affordable housing and profess to helping businesses, but who ignore the financial reality that hurts affordable housing in Delaware and the loss of the money to the State's economy.

In an Ivory Tower far above reality are money lenders HUD, Fannie Mae and Freddy Mac. One government agency and 2 quasi-government agencies. **"HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all." Failed!**

Mission Statement of Fannie Mae: " to provide liquidity, stability and affordability to the U.S. housing and mortgage markets. " Failed!

Freddy Mac: Why We Do It - "We're not just financing rental housing; we're leading the way to a better future. We are committed to leading real change in the multifamily industry through intentional and focused efforts. **Sustainability, affordability and equity are driving passions for our team.**

By working with our lenders and partners, we're creating more affordable housing, leveling the playing field and strengthening communities across the nation." **Failed!**

In Housing there is a Ponzi type scheme with the renters and the State's economy as the victims. Housing Corporations borrow money from these sources professing the desire to build affordable housing. They build and profit from that cheap lending source. They then sell to another corporation and take a huge profit. The buying corporation jacks-up rents to recover costs of the sale and adds to private investor profits. The original borrowing corporation buys another community with their profits within a certain period of time and avoids paying tax under IRS regulations.

Thus, what started out like a good idea dissipates like a good smelling perfume. With it, the intent of affordable housing is gone.

Rather than moan, groan and complain. I am putting forth a proposal to create affordable housing that will stay affordable. The concept is about as radical as the reasons for establishing a Public Service Commission for utilities which provides a guaranteed profit with financial oversight. I believe in profit. I believe in real Capitalism and to keep it going we need affordable housing.

Delaware should create a Public Service Commission (PSC) for Housing. Any Apartment or Leased Land Housing Community that received funding from Fannie Mae, Freddy Mac, or HUD to build affordable housing would be under the PSC's auspice. The new Housing PSC organization should set the profit limits. If the apartment building or leased land community is put up for sale, the tenants get first crack, with professional help, to arrange for financing of a Condo association structure.

If the tenants are not capable of managing a community, the sale should go to a government recognized not-for-profit organization such as a Trust, dedicated to affordable housing. I believe putting together the jigsaw puzzle of Best Practices should be in the hands of a State PSC to set the rate of profit and oversee the actual costs of the operation. Like utilities, because housing is a cornerstone of our economic well being.

The funding for the PSC would come from an annual fee of \$50 or \$100 per unit, which is passed on in rent to the tenants. The tenants would recoup the cost from lower rent increases. Yes, it is designed Rent Control and that is **not a dirty word**. It is needed in the public interest because there is a shortage of affordable housing. Frankly, it would keep it out of HUD hands to operate.

The recent Delaware State News article on the long existing Donovan-Smith Mobile Home life threatening conditions is a perfect reason to have Statewide licensing fees. The PCS would have the ability to rescind the license for the failure to properly maintain a community and turn the operation over to a non-profit Trust to operate and bring the community up to standards. If the original owner is not capable of maintaining the apartment or community, the Trust can purchase the community at the appraised run down condition of the property.

I am planting the seeds which will grow when the majority of the State Legislature puts the best interest of the State and all its citizens in front of personal friendships with their election campaign supporters.

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Fred Neil is serving his 3rd Term as a member of the Dover City Council
521 Weaver Drive, Dover, De 109901, 302-678-3288