

# How to Build Affordable Rental Housing that Stays Affordable and Keeps the Delaware Economy Flourishing

by Fred Neil, 3<sup>rd</sup> District, Dover City Council

The paradigm I propose for all corporate rentals, including houses scooped up in foreclosures, apartment buildings and leased land parking lots for homes is simple in concept but difficult to create for two reasons, **First**, large wealthy corporate landlords have many Delaware legislators convinced they are going broke as no one knows how many millions leave the Delaware economy in increasing annual rent increases. **Second**, organizations dedicated to affordable housing such as the Housing Alliance will not even permit me to bring my proposal to a meeting of their advocates while seeking solutions that have repeatedly failed. What they do well is to show how desperately we need affordable housing.

The paradigm uses the concept of what we have in place for Utilities. Shockingly, private Utilities must show their financials in order to receive an increase in their rates. That helps our economic balance from going berserk. Unless you believe housing is **not** essential to our economy and way of life, it is time to create a Board, or Commission by any name which guarantees the landlords will make a fair profit but not gouge.

To those who say we won't attract developers who will not build if they can't make a bundle when they sell, the discounted loans from Fannie Mae or Freddy Mac, or taxpayer handouts can go to the dedicated affordable housing creators. Real Delaware examples include Luther Towers, Habitat, and NeighborGoodPartners, the former NCALL.

## Affordable Housing Step By Step

**First Step:** The Legislature must pass a law requiring any developer using Fannie Mae or Freddy Mac loans to build was meant to be affordable housing, when sold, is required to sell it to a not-for-profit organization dedicated to affordable housing. This could include a professionally run Condo or Co-Op or as a Common Interest Community with resident oversight.

- Establish a Board or Commission to review all rent increases which are annual and not compounded. Bring on the forensic accountants. (According to Carolyn Carter, Deputy Director of the National Consumer Law Center (NCLC), Rent Justification has not been fully tested in the Courts... BUT, having a Rental Board is not a "taking."

- Set profit margin increases *(to be established)* based on the legitimate cost of the administration and maintenance of the Apartments, Rental Houses and the leased land communities.

- Make all rent increases annual. *(By eliminating the compounding of rent increases and increasing profit via better maintenance, you encourage safer, healthier housing while lowering rents. This also eliminates the bonus for overpaying for a property.)*

- Place the Delaware Manufactured Housing Relocation Authority under DSHA.

- Each tenant unit will pay an annual fee of between \$50 to \$100 per month to fund the Board/Commission sparing the taxpayers the burden of the operation. *(The fee is a suggestion and could be adjusted to actual operation costs. The tenants will benefit with significantly lower rent.*

*Encourage landlords to lower rents to keep the space occupied as they will be compensated for maintenance.)*

- Tenant complaints Any tenant-landlord disputes can be brought before the Board/Commission. Decisions of the Board/Commission or designee can be appealed to an appropriate court.

## **Emergency Changes needed for Leased Land Communities**

**Background you should know:** When I turned 80, The Delaware Manufactured Home Owners Association (DMHOA) “roasted” me as an honor for my service from 2004 to 2015 as the volunteer Public Affairs Officer and to raise a few dollars. I resigned in 2015 when I was elected to my first term as a member of the Dover City Council. Unless the current DMHOA leadership changes its position, I stand opposed over an issue that hurts the Delaware economy significantly and DMHOA.

In an attempt to head off the giant increases in annual rent instituted by conglomerate member Michigan based RHP in the Delaware leased land communities it purchased since 2017, DMHOA agreed to kill Rent Justification and provide guaranteed windfall profits to all leased land communities with SB 317. The thought behind the agreement was halt RHP in its tracks from the huge unwarranted increases in rents. Because of the Market Rent in §7003 which still exists, SB 317 raises rents to an unheard level with nothing in return from tenants or the Delaware economy.

SB 317 encouraged RHP to find a loop hole to raise rents far higher than what was intended. Thanks to the loop hole in §7013 which legally permits a community owner to veto a legal agreement between a seller and buyer to purchase the home for sale 1% above the agreed upon price.

Speaker of the House Valerie Longhurst recognized the great harm that SB 317 inflicted on leased land homeowners and introduced a Bill to stem the financial carnage. That Bill, HB 212, eventually passed but, does not stop the long term financial harm already inflicted to homeowners by the outrageous annual rent increases or the money lost to Delaware economy.

When a community owner obtains ownership in a home via court action or purchase, the landlord can charge whatever they wish as rent. RHP has destroyed the transfer of leases and bullied homeowners ready to depart and sullied unsuspecting buyers ready to move in with huge monthly increases above the 6% Plus inflicted by SB 317. By refusing to accept a lease transfer, RHP is charging new home buyers to pay \$822 per month.

## **Stop Rationing Justice**

Code 25, Chapter 70 is riddled with loopholes such no Escrow for disputed money. When rents are collected pending arbitration Appeal, a Court process that takes 2 to 3 years. Should the community owner lose, no Interest is paid on the money they collect and use.

Please do not hesitate to ask questions.

# Why Delaware has an Affordable Housing problem!

## How Delaware Law Protects Leased Land Home Owners



Think of me as your Landlord!

## How Rent Laws Protect the Delaware Economy



Value Tenants receive from Annual rent increases