

SUBSTITUTE NO. 2 TO ORDINANCE NO. 26-035

AN ORDINANCE TO AMEND CHAPTER 8 OF THE CITY CODE TO CREATE A SECURITY DEPOSIT AND FIRST MONTH'S RENT ASSISTANCE PILOT PROGRAM

**Rev. 2
#0236**

Sponsor:

**Council
Member
Hackett**

WHEREAS, access to safe, stable, and affordable housing is essential to the health, safety, and general welfare of the residents of the City of Wilmington. The City of Wilmington has experienced rising rental costs in recent years, placing significant financial strain on low-income households; and

WHEREAS, § 5514 of the Delaware State Code permits landlords to require tenants to pay as much as one month's rent in the form of a security deposit, along with the first month's rent, prior to finalizing a lease agreement. These prerequisites can represent a substantial cost for tenants with limited income; and

WHEREAS, the compounding impacts of paying a rental deposit and/or an initial rent payment can exacerbate housing instability, especially for individuals who are managing the costs of moving from another home, purchasing furnishings for their new home, or relocating to begin a new job where they have not yet received a paycheck. The Delaware State Housing Authority's ("DSHA") *2023 Housing Needs Assessment* reported that an estimated 50% of renters spend more than one-third of their income on rent payments. The expenses associated with entering a new lease agreement can place cost-burdened households at heightened risk of eviction, displacement, and homelessness at the onset of their tenancy by depleting cash reserves that would otherwise be available to cover unexpected financial hardship, loss of income, medical emergencies, or other economic disruptions. The DSHA's housing survey found that 18% of all respondents who were renters had been involuntarily displaced in the past five years; and

WHEREAS, access to rent deposit and rent assistance has implications for the health and safety of Wilmington’s rental housing portfolio. When faced with the substantial upfront capital necessary to relocate, tenants may be reluctant to report health and safety concerns that could lead to their displacement. As a result, research has repeatedly identified connections between housing instability and negative outcomes for mental and physical health, as well as academic performance; and

WHEREAS, rent assistance programs have been shown to be a cost-effective tool for preventing homelessness, supporting vulnerable households, and fostering stable communities before a housing crisis escalates; and

WHEREAS, the City wishes to support vulnerable communities and reduce barriers for emerging talent, including new City employees and educators; and

WHEREAS, the Council of the City of Wilmington finds that establishing a locally administered Security Deposit and First Month’s Rent Assistance Program, along with other tenant-focused measures, is necessary and appropriate to provide new renters with access to the temporary financial assistance needed to secure housing, thereby promoting housing stability and protecting the public health, safety, and welfare of City residents.

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF WILMINGTON
HEREBY ORDAINS:**

SECTION 1. Chapter 8 of the City Code is hereby amended by creating a new Section 8-12 with the following underlined language:

Sec. 8-12. – Security Deposit and First Month’s Rent Assistance Pilot Program.

- (a) Authorization. The Department of Real Estate and Housing (the “Department”) is hereby authorized to establish the pilot program

described in subsection (b) using Neighborhood Stabilization Funds, grant funds, or operating budget funds in any fiscal year for the purpose of providing rent assistance to eligible low-income individuals who rent a residential dwelling or dwelling unit in the City of Wilmington.

(b) Wilmington Residential Security Deposit and First Month's Rent Assistance Pilot Program. The Wilmington Residential Security Deposit and First Month's Rent Assistance Pilot Program (the "Program") shall be established for the purpose of providing rental security deposit and first month's rent assistance to eligible low-income residential renters. The Department shall contract with a third party to administer this Program.

(c) Eligible Applicants.

1. An individual who is eligible to participate in this Program shall be a current City resident, have a household income at or below 80% of the Area Median Income and:
 - i. currently rents a residence in the City; or
 - ii. is currently or newly employed by the City; or
 - iii. is employed as a schoolteacher.
2. Applicants must provide the Department with an affidavit containing the following information and documentation:
 - i. Applicant's identification;
 - ii. Verification of the rental dwelling or dwelling unit where the applicant intends to live by way of:

1. a copy of the lease, or
 2. in the event of an oral residential lease, verified contact information for the landlord;
 - iii. Identification of all persons who intend to live in the rental dwelling or dwelling unit;
 - iv. Proof of funds available to pay one month's rent;
 - v. Proof of employment;
 - vi. Proof of household income;
 - vii. Proof of current City residency.
- (d) Eligible Properties. The rental property must be located within the corporate boundaries of the City of Wilmington.
- (e) Amount. The maximum security deposit and first month's rent assistance an eligible applicant may receive is \$2,000.00:
1. A maximum of \$1,000.00 toward the security deposit; and/or
 2. A maximum of \$1,000.00 toward the first month's rent.
- (f) Time Limitation. An applicant may only be awarded rent assistance once in the twenty-four (24) month cycle, beginning from the date of any previous application approval.
- (g) Administration and Enforcement. The Department is authorized to prescribe, adopt, promulgate, and enforce rules and regulations relating to the administration and enforcement of this Program.

SECTION 2. This Ordinance shall sunset twenty-four (24) months from the date of enactment unless a new Ordinance is passed by City Council and approved by the Mayor.

SECTION 3. This Ordinance shall become effective immediately upon its date of passage by the City Council and approval by the Mayor.

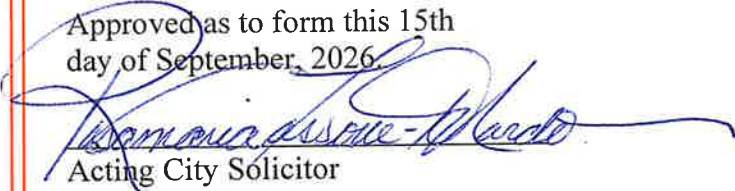
First Reading.....May 7, 2026
Second Reading.....May 7, 2026
Third Reading.....

Passed by City Council,

President of City Council

ATTEST: _____
City Clerk

Approved as to form this 15th
day of September, 2026.


Acting City Solicitor

Approved this ____ day of _____, 2026.

Mayor

SYNOPSIS: This Substitute Ordinance creates a municipal Security Deposit and First Month's Rent Assistance Pilot Program, to be administered by the Department of Real Estate and Housing, to provide eligible low-income residential tenants in the City of Wilmington up to \$2,000.00 in assistance—a maximum of \$1,000.00 for a security deposit and/or \$1,000.00

towards the first month's rent—once in the twenty-four (24) month period beginning from the date of any previous application approval.

FISCAL IMPACT STATEMENT: The Office of Management & Budget (OMB) has reviewed and analyzed Substitute No. 2 to Ordinance No. 26-035 which authorizes the Department of Real Estate and Housing to establish a Security Deposit and First Month's Rent Assistance Pilot Program. The program may be funded using available Neighborhood Stabilization Funds, grant funds, or operating budget funds, subject to availability.

The Substitute Ordinance makes several substantive changes from the original ordinance reviewed by OMB. It removes capital budget funds as an authorized funding source and instead identifies operating budget funds as a potential funding source. The Substitute Ordinance also requires the Department of Real Estate and Housing to contract with a third party to administer the program, increases the income eligibility threshold from 50% of Area Median Income to 80% of Area Median Income, and expands eligibility to include low-income individuals who currently rent a residence in the City, are currently or newly employed by the City, or are employed as schoolteachers. The Substitute Ordinance further requires applicants to be current City residents at the time of application and to provide proof of current City residency.

The program will provide eligible applicants with up to \$2,000 in assistance, consisting of a maximum of \$1,000 toward a security deposit and/or a maximum of \$1,000 toward first month's rent. An applicant may only receive assistance once in the twenty-four-month cycle beginning from the date of any previous application approval.

The Substitute Ordinance requires the City to contract with a third party to administer the program. Under this structure, the third-party administrator would perform most of the operational and administrative functions necessary to operate the program, while the City would retain policy control, contract oversight, funding approval, and audit responsibility.

OMB reviewed the Substitute Ordinance's third-party administration requirement in consultation with the Department of Real Estate and Housing. Based on experience and knowledge of institutions that may be qualified to administer this type of program, the Department estimates that a third-party administrator would likely charge a flat base administrative fee of approximately \$25,000, plus 15% of the total program assistance amount distributed.

Actual administrative costs will depend on the final program structure, the amount of assistance distributed, application volume, the scope of services included in the contract, payment-control requirements, reporting obligations, and audit-support responsibilities.

The final fiscal impact will depend on the amount of funding appropriated or otherwise made available for the program, the third-party administrator's contract cost, the number of eligible applicants served, and the average amount of assistance awarded per applicant. The expanded income threshold and broader eligibility categories in the Substitute Ordinance may increase the potential applicant pool compared to the original ordinance. However, the Substitute

Ordinance's current City residency requirement may narrow that pool by excluding otherwise eligible applicants who do not reside in the City at the time of application.

The following table provides estimated program assistance costs, exclusive of the cost of the third-party administrator:

Number of Renters Assisted	\$500 per Renter	\$750 per Renter	\$1,000 per Renter	\$1,500 per Renter	\$2,000 per Renter (max)
100	\$50,000	\$75,000	\$100,000	\$150,000	\$200,000
200	\$100,000	\$150,000	\$200,000	\$300,000	\$400,000
300	\$150,000	\$225,000	\$300,000	\$450,000	\$600,000
400	\$200,000	\$300,000	\$400,000	\$600,000	\$800,000
500	\$250,000	\$375,000	\$500,000	\$750,000	\$1,000,000
750	\$375,000	\$562,500	\$750,000	\$1,125,000	\$1,500,000
1,000	\$500,000	\$750,000	\$1,000,000	\$1,500,000	\$2,000,000

Including the third-party administrative cost, total estimated costs would be as follows in the table below:

Number of Renters Assisted	\$500 per Renter	\$750 per Renter	\$1,000 per Renter	\$1,500 per Renter	\$2,000 per Renter (max)
100	\$82,500	\$111,250	\$140,000	\$197,500	\$255,000
200	\$140,000	\$197,500	\$255,000	\$370,000	\$485,000
300	\$197,500	\$283,750	\$370,000	\$542,500	\$715,000
400	\$255,000	\$370,000	\$485,000	\$715,000	\$945,000
500	\$312,500	\$456,250	\$600,000	\$887,500	\$1,175,000
750	\$456,250	\$671,875	\$887,500	\$1,318,750	\$1,750,000
1,000	\$600,000	\$887,500	\$1,175,000	\$1,750,000	\$2,325,000

In summary, total estimated program costs may range from approximately \$82,500 at the lowest utilization level shown, assuming 100 renters assisted at an average award of \$500, to approximately \$2.3 million at the highest utilization level shown, assuming 1,000 renters assisted at the maximum award of \$2,000. These estimates assume a third-party administrative fee consisting of a \$25,000 flat base fee plus 15% of the total assistance amount distributed. Actual costs will depend on the amount of funding made available, the number of eligible applicants served, the average assistance amount awarded, and the final contract terms with a third-party administrator.

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