

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

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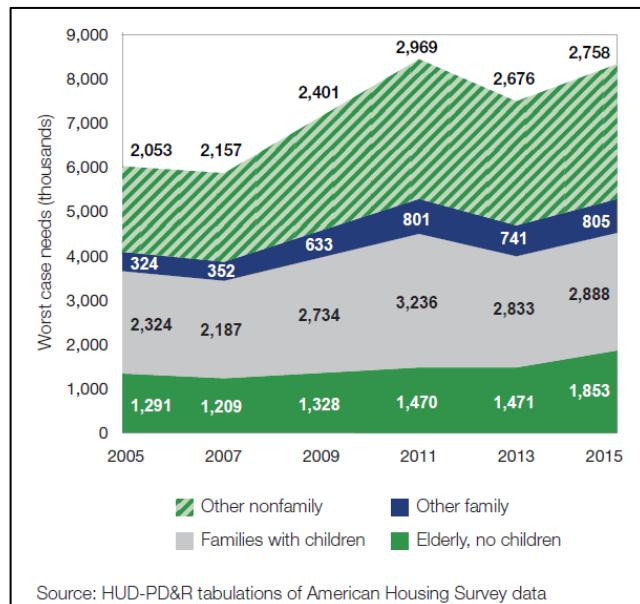
Affordability, Availability, and Accessibility: Trends in Senior Housing

Trends and Challenges in Senior Housing

As the U.S. population ages, we can expect significant challenges for the affordability, availability, and accessibility of senior housing. Building on existing efforts to retain and strengthen senior housing programs, this analysis takes into account cross-cutting issues affecting low-income senior renters, including health services and coordination, accessibility and connectivity in home and community, and overall affordability measures.

Overall, this NAHMAanalysis discusses trends in senior demographics over the next several decades, as well as the accompanying challenges and solutions for the future of affordable senior housing.

Demographic Trends: Current and Projected Elderly Population Data



CURRENT DEMOGRAPHICS Like those before us, this generation of housing providers continues to grapple with an aging America. At 29.9 million, senior households currently represent one-fourth of America's households, 21% of which are renter households.

During 2015, approximately 15 million seniors were considered low-income based on Area Median Income (AMI), and 1.85 million elderly renters had “worst case housing needs” – households that pay more than 50% of their monthly income on rent or live in substandard conditions – which represents a sharp increase over 2013 levels (Figure 1)ⁱ. Meanwhile, studies show an upward trend for senior homelessness.

Figure 1 Growth in Worst Case Housing Needs Among All Households Types, 2005-2015

PROJECTED DEMOGRAPHICS According to Harvard's Joint Center for Housing Studies (JCHS), over the next twenty years, the population of adults aged 65 and over will likely increase by more than 30 million, or 60%, to reach approximately 80 million seniors, dramatically shifting the overall US age distribution to a one-in-five senior population. In addition to the general expansion of the elderly population, the number of "older seniors" – aged 80-and-up – is expected to double within the next two decades, aided by an aging "Baby Boomer" generation. JCHS's forecasted demographic trends are echoed in projections published by the Bipartisan Policy Center and the Pew Research Center (*Figure 2*).ⁱⁱ

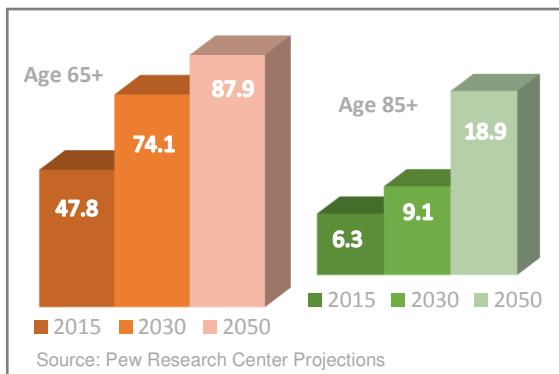


Figure 2: America's Aging Population (in millions)

becoming more common, the number of low-income older adults is expected to grow significantly, resulting from a combination of factors such as income, debt, and wealth distribution; retirement, labor market, and economic factors; and housing and health costs.

Housing Older Adults: Multi-Sector Challenges

Numerous challenges accompany housing the expanding senior population. Escalating senior headship rates, many of which will encompass low-income renter households, are expected to collide with the following availability, accessibility, and affordability constraints to exacerbate senior housing challenges in coming years:

AVAILABILITY Low-income seniors have access to housing assistance primarily through HUD's Section 202 Supportive Housing for the Elderly, which is currently the only federal program specifically designed to address the housing needs of seniors. Traditionally, subsidized capital advances were provided to finance the development of elderly housing; capital advance funds are no longer being awarded by HUD, but multifamily elderly housing properties continue to be supported through rental assistance contracts.

Persistent market tightening, among other factors, has led to a current median asking rent of \$1,381 per month for newly constructed market-rate multifamily units, which is more than 70% above the median contract rent for multifamily units. Because Section 202's tenant rent is capped at 30% of income, HUD provides operating subsidies, known as project rental assistance contracts (PRACs), on an ongoing basis to cover the difference between the operating cost and the tenant rent contribution. Other housing resources, such as Section 8, Community Development Block Grants (CDBG), and Low-Income Housing Tax Credits (LIHTC) can be leveraged to amplify the impact of Section 202 funding.

In the past 22 years, Congress helped to fund just under 3,000 affordable properties serving approximately 120,000 low-income senior households. As of last year, nearly 400,000 units for low-income elderly households had been produced; despite the existing assistance, only 36% of qualifying older adults currently receive rental assistance.

Not only is the elderly portion of the population expected to expand sharply, but seniors will likely continue both living longer and overwhelmingly choosing to age in-place, causing an upsurge in senior households. In fact, the number of households headed by seniors is expected to swell by 66%, leading to a one-in-three senior headship rate for U.S. households by 2035 (up from one-in-four in 2015).ⁱⁱⁱ

Compounding this trend is the expected rise in the low-income elderly population: While household income disparities and low-wealth households are generally

Because the need exceeds the supply of HUD Section 202, elderly households also make up a majority of HUD-assisted households overall.^{iv} In fact, according to a JCHS report from 2016 titled “Projections and Implications for Housing a Growing Population,” if housing subsidies were expanded to serve the same percentage of those eligible in 2035, there would still be a gap of close to 5 million due to the expanded senior population.^v

AFFORDABILITY In order to qualify for Section 202 residency, a household must meet the age and income requirements. HUD’s subsidy structure is designed to support tenants with the lowest incomes; in fact, most Section 202 residents fall far below the 50% AMI cap with an average annual household income of \$13,238.^{vi}

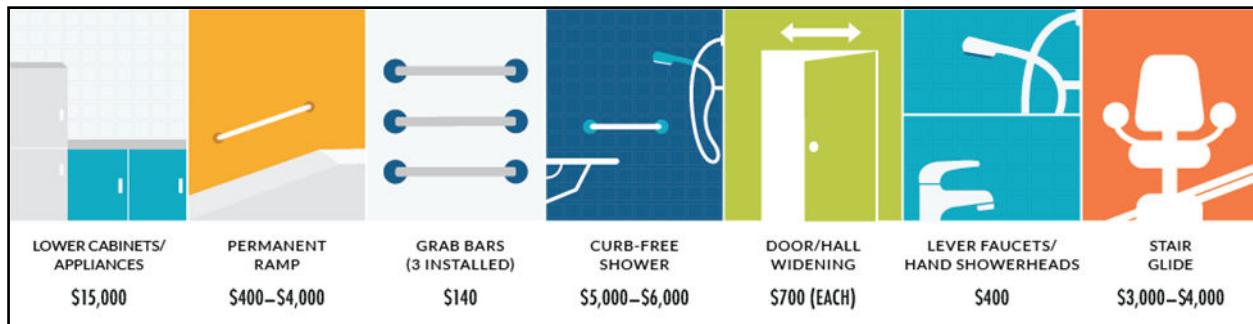
For seniors, income and debt trends project challenging times ahead. Access to the labor market is constrained for much of the senior population, particularly for those without higher education and income levels; at the same time, projected limitations of Social Security and changes to retirement plans, accompanied by the kind of stock market volatility demonstrated during the financial crisis in 2008, continues to put pressure on retiree incomes. In addition, mortgage and student debt are increasingly carried into retirement, straining fixed incomes: In 2013, 38% of those aged 65 and up had outstanding mortgages on their primary residences, and in 2016, seniors owed 18.2 billion in educational loans, often on behalf of a younger relative.^{vii}

Housing un-affordability has a unique effect on older adults; compounding housing cost burdens are older adults’ disproportionate health and services needs relative to the general population: Rural and low-income elderly residents, in particular, face difficulties connecting to services, such as assistance with daily activities, meals and mobility support, cognitive and mental disability management, and health care coordination. Because the 1.8 million severely rent-burdened senior households reportedly cut back on food, healthcare, and other critical expenditures by as much as 41%, seniors are particularly vulnerable to the effects of high housing costs.^{viii}

ACCESSIBILITY Constrained housing availability and excessive housing costs are exacerbated by both the mobility needs and the limited financial means of older Americans. Because the likelihood of mobility restriction rises to 1 in 3 among those aged 75 and older, home-centered modifications and services dramatically impact quality of life for our seniors.

Costly home rehabilitations or adaptations, such as installing ramps and handle bars, lowering cabinets, and widening doorways, become necessary to help accommodate aging in place. Much of the country’s current multifamily housing stock was built before new accessibility guidelines took effect; less than one -percent of housing units nationwide are wheelchair accessible, and no region of the country has a sufficient stock of accessible homes. HUD’s recent findings on mental health discrimination in rental housing demonstrate another layer of affordable housing inaccessibility for seniors and those experiencing disabilities.^{ix}

With the average home equity for ages 62-69 falling just below \$150,000, and the per capita median retirement and financial assets coming in at just over \$100,000, personal savings are unlikely to absorb the costs of mobility accommodations (Figure 3);^x community-based adult care, year-round home health aide, or placement in a nursing care facility, which can range in cost from \$17,000 to \$88,000 per year, are similarly out of reach for many lower income older adults.^{xi}



Source: How Housing Matters, 2017

Figure 3: Home Modifications for Owners and Renters

Dynamic Approaches: Addressing Elderly Housing Needs

The projected demographics for the U.S. population lend urgency to NAHMA's ongoing efforts in support of elderly housing. These include prioritizing full funding levels to renew contracts and support new developments; protecting the Low-Income Housing Tax Credit (LIHTC) and endorsing congressional efforts to strengthen it; calling for an extension of the Rental Assistance Demonstration to project rental assistance contracts (RAD for PRACs); supporting interagency efforts to alleviating homelessness, income disparities, and housing cost burdens; and advocating for community investment incentives.

The dynamic needs of older adults continue to require innovative approaches in serving low income elderly communities. Like all communities, senior living exists within a framework of cross-cutting issues. The following examples highlight three approaches to senior housing: The immense impact of housing policy on health policy, and vice versa, has led to joint senior health and housing approaches, in which housing is enriched with service coordination to streamline services and save costs; similarly, strategies to implement age-friendly home and community planning, as well as alternative living arrangements, can postpone institutionalization, combat isolation, and ease cost-burdens on individuals and communities.

Senior Health and Housing

BACKGROUND Housing and health services are two of the most intertwined issues with regard to senior living. Gains in longevity and independent living continue to render the home a primary setting for long-term care, with older adults seeking to age in-place while receiving services for disability and health challenges.

TAKING A CLOSER LOOK According to the Bipartisan Policy Center's report titled "Healthy Aging Begins at Home," Medicaid currently spends \$146 billion for long-term supports and services. However, HUD's Office of Policy Development and Research estimates that supportive housing services combined with the Section 202 Senior Housing program can prevent low-income older adults from premature institutionalization, unnecessary emergency room utilization, and high-cost nursing home care, saving up to half of the equivalent nursing home costs. Similar cost savings could be applied to the Section 811 program for persons with disabilities.^{xii}

SPOTLIGHT ON SOLUTIONS A number of approaches currently address health and housing challenges in our senior communities, such as incorporating housing—and homelessness—related questions on health assessments and on hospital discharge plans. Furthermore, HUD in 2016 announced \$15 million in grants to test a model for low-income seniors to age in their own homes using health and services accommodations, delaying or avoiding the need for nursing home care. HUD also recently signed a joint

research partnership on aging in place with Japan's Ministry of Land, Infrastructure, Transport, and Tourism (MLIT); the Japan Housing Finance Agency; and the Japan Urban Renaissance Agency; and Ginnie Mae, a government-owned corporation within HUD.

In order to test the effectiveness and value of an enhanced supportive services model for elderly households, the 3-year grants aim to cover the cost of a full-time Enhanced Service Coordinator and a part-time Wellness Nurse at eligible HUD-assisted senior housing developments. Several NAHMA member properties are among the Supportive Services Demonstration grant recipients announced in early 2017, as well as among other developments serving as industry leaders in elderly living.

Even without a HUD Supportive Services grant, many properties have implemented strategies to integrate health and housing services, including through the use of community partnerships, resident engagement programs, and service coordinators at elderly properties. A broad proposal to preserve and expand senior housing and healthcare services was put forth in 2016 by Stewards of Affordable Housing for the Future (SAHF) and the LeadingAge *Campaign for Healthy Aging Through Housing*. Based on the recognition of quality housing as a social determinant of health, the current shortage of affordable senior housing, and the imminent growth of the senior population, the proposal calls for the creation of a funding mechanism called 'Service-Enriched Affordable Living,' or SEAL, among other action items.

While these approaches show tremendous potential in meeting housing and health services needs, further interagency collaboration at federal, state, and local levels will likely produce the best results for older low-income adults.

Age-Focused Home Design and Community Planning

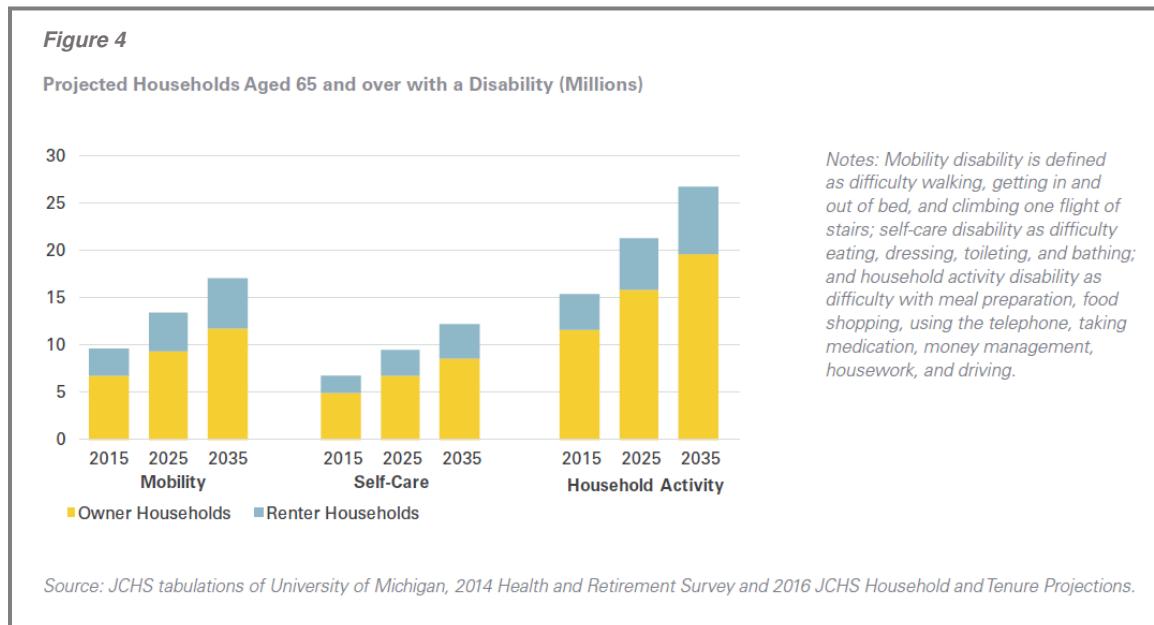
BACKGROUND According to research by the Harvard Joint Center for Housing Studies, the vast majority of older adults would prefer to age in their current residences (88%), or at least in their local communities (89%), for as long as possible. In fact, since the 1990s, the proportion of older adults (aged 80 and over) living in nursing care facilities and other group housing has declined by more than 50%, increasing the demand for homes and communities that can accommodate especially mobility-limited seniors.

TAKING A CLOSER LOOK Age-focused housing options can offer quality of life, the capacity for independent living, and comprehensive cost savings for residents, developers, and property managers. Local zoning ordinances in particular affect age-appropriate housing development. Increased demand may lead new and existing housing stock to be structured or modified with aspects of universal design, such as zero-step entrances, single-floor living, wide access points, and levers reachable from wheelchair height. Technology also represents an important part of age-focused home design, with telehealth and broadband demonstrating the potential for health improvements and reduced costs.^{xiii}

Redesigning senior living to account for mobility and accessibility requires looking beyond the home: With loneliness and social isolation each considered important health risks for the elderly, efforts to mitigate these could gain traction as the senior population balloons over the next two decades. The future housing stock, transportation infrastructure, technology training and access, and overall community development planning affect efforts to keep seniors engaged in their communities and connected to services.

The ballooning senior population, however, will be faced with a lack of elderly-accessible housing options. By the year 2035, 17 million senior households are projected to include someone with a mobility disability, with over 5 million of them renters (*Figure 4*). However, only between 1% and 4% of the current housing stock provides features that preserve mobility.^{xiv}

SPOTLIGHT ON SOLUTIONS Both regulatory and legislative approaches have emerged to encourage age-friendly living opportunities for low-income residents, with an eye on both the current and future housing stock. Although only available for owner-occupied homes, USDA's Section 504 Home Repair program offers grants to elderly very-low-income homeowners to remove health and safety hazards. Further, the



Community Innovations for Aging in Place initiative funded fourteen demonstration projects between 2009 and 2012 to assist communities in their efforts to sustain elderly independence and in-place aging. However, both programs are currently pending congressional reauthorization.

A bill to incentivize age-focused home rehabilitation, called the Senior Accessible Housing Act, was introduced to Congress in March 2017, by Florida Congressman Charlie Crist. The legislation, which uses a nonrefundable tax credit for senior citizens to modify their residences, has gained 12 bipartisan cosponsors and was referred to the House Committee on Ways and Means. Similar legislation was passed this year by Maryland and other states, demonstrating a political appetite for senior home rehabilitation incentives both in owner-occupied and rental units.

Generational and Multigenerational Living

BACKGROUND The prevalence of alternative living arrangements, such as generational households, has increased sharply since the beginning of the Great Recession. The term “generational” commonly defines households that includes two or more adult generations, such as adult children and their parents; the term also applies to households that include grandparents and grandchildren – a so-called “skipped generation” household.^{xv}

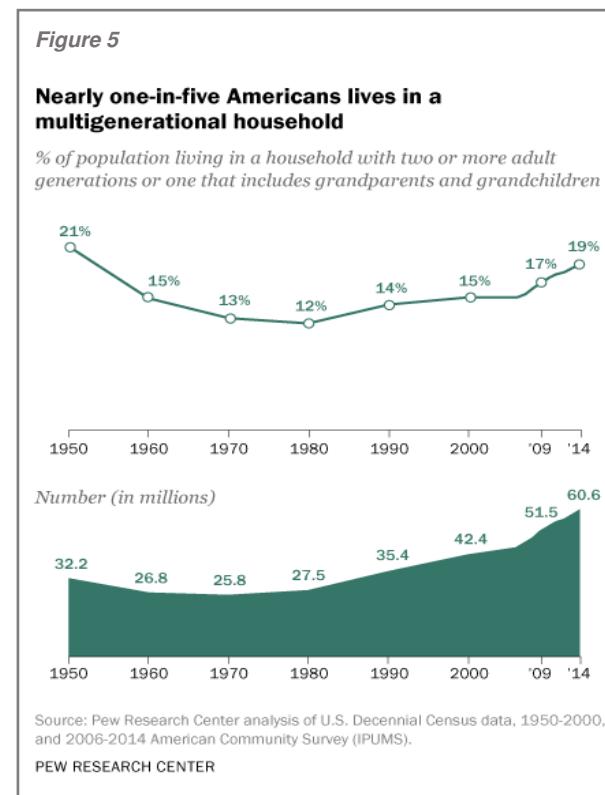
The term “multigenerational,” which is used by the U.S. Census Bureau, describes a narrower definition of households in which three generations reside, such as grandparents, parents, and grandchildren. Barrack Obama brought prominence to multi-generational living, when then President Obama moved into the White House with his children, the First Lady, and the First Grandmother in 2009.^{xvi}

TAKING A CLOSER LOOK As of 2014, a record 60.6 million Americans – 19% of the U.S. population – lived in generational households, with 26.9 million of them living in three-generational households. These striking

statistics represent a sharp increase of “doubled-up households” during and after the Great Recession and an overall increase of 7% since the 1980s (*Figure 5*).

Rates of generational living in the U.S. differ with age, race, ethnicity, income level, education attainment, and geographical location. For example, 31% of young adults aged 25-29 live in generational households, and young adults aged 18-34 without a college degree are now more likely to live with parents than on their own, stemming in part from a sharp decrease in wages for younger Americans who cannot afford a rental unit on their own, even if they are employed. Similarly, more than one-fifth of older Americans live with multiple generations under the same roof.^{xvii}

Culture and national origin also play a significant role in household make-up, with multi-generational living most common among foreign-born older adults and minority racial and ethnic groups. Income and economic status may also determine the likelihood of doubled up households, as multigenerational households are most common in parts of the country experiencing high housing costs or shortages.^{xviii}



SPOTLIGHT ON SOLUTIONS Multigenerational housing is a cost-effective option for many families, particularly for older Americans wishing to avoid premature institutionalization or housing cost burdens. In fact, the projected growth in the elderly, foreign-born, minority, and low-income populations indicates the potential for substantial growth in multigenerational households over the next two decades. Flexible layouts (and accompanying zoning provisions, housing regulations, and financing options) that can accommodate changing family needs – such as semi-private spaces, accessory or in-law dwelling units, multiple master bedrooms, kitchens, and entrances, and supportive services access – may be instrumental to housing increasingly dynamic family make-ups.

In one approach, New York Congressman Jose Serrano reintroduced in February 2017 the Generational Residences and Nurturing Dwellings (GRAND) Act, which establishes a HUD program to help nonprofit organizations expand the supply of specialized housing and social services for elderly relatives who are raising a child. The bill includes provisions for rehabilitation financing, voucher assistance, project rental assistance, and operational expenses for generational households, including supportive services.

All in all, a wide array of approaches intertwine with housing programs to lend a dynamism to senior living and the challenges and solutions ahead.

Looking Ahead: Opportunities for the Affordable Housing Industry

Over the next two decades, communities across the U.S. will likely experience dramatic changes in age distribution resulting from significant expansions in the elderly population, senior headship rates, and the proportion of low-income, older Americans relative to the population as a whole. Continuing challenges of housing availability, affordability, and accessibility are expected to accompany this population shift.

The outlined approaches offer a glimpse into efforts from various players to address the needs and vulnerabilities of low-income elderly communities, and have the potential to build on longstanding efforts to preserve and expand senior housing. In addition, a number of fiscal indicators have emerged from congressional lawmakers and the President in 2017: With many housing programs vulnerable to cuts during the current budget-capped environment, senior housing – specifically HUD's Section 202 Supportive Housing for the Elderly, and the accompanying Service Coordinator grants – emerged as a front-runner for appropriated funding during the Fiscal Year 2017 budget deal: Although far from enough to meet the growing need of our elderly communities, Section 202 received the largest increase among all HUD programs, even in a Congress under strict spending caps and immense pressure from the Administration to trim the entire Agency budget by 15%.

During on-going negotiations for Fiscal Year 2018, further increases to both the Section 202 funding and Service Coordinator grants have been endorsed by the House and Senate Appropriations Committees. In addition, a provision has been endorsed to expand the Rental Assistance Demonstration to elderly properties (RAD for PRAC), a measure which NAHMA members have actively supported. With the fiscal deadline looming and senior housing – as all housing assistance – sure to suffer under anything other than full-year FY18 funding, NAHMA member advocacy is as important as ever.

The next two decades present not only hurdles, but also opportunities. The highlighted challenges – a ballooning senior population colliding with availability, affordability, and accessibility constraints in a capped federal funding environment – and approaches – streamlining health and housing services, adjusting the housing stock and community design to integrate age-friendly accommodations, and incentivizing multigenerational and other alternative housing arrangements – are mere examples within a wide realm of possibility.

As experts and leaders in the affordable housing industry, NAHMA members are uniquely positioned to welcome the future of senior living with advocacy and innovation.

ⁱ HUD Office of Policy Development and Research, "Worst Case Housing Needs 2017 Report to Congress"

ⁱⁱ Bipartisan Policy Center: "Healthy Aging Begins at Home," 2016; Harvard Joint Center for Housing Studies: "Projections and Implications for Housing a Growing Population," 2016

ⁱⁱⁱ JCHS: "Updated Household Growth Projections, 2015-2035," 2016

^{iv} Center for Budget and Policy Priorities, 2013 Research on Rental Assistance Recipients

^v JCHS: "'The State of the Nation's Housing," 2016

^{vi} HUD Office of Policy Development and Research of PIC and TRACS Data, 2015

^{vii} American Society on Aging: "Social Security and Student Debt: We All Have a Stake," 2016

^{viii} JCHS: "'The State of the Nation's Housing," 2016; BPC: "Healthy Aging Begins at Home," 2016

^{ix} HUD Office of Policy Development and Research, "Rental Housing Discrimination on the Basis of Mental Health Disabilities: Results of Pilot Testing," 2017

^x How Housing Matters: "'For Owners and Renters, Home Modification Assistance can be a Lifeline," 2017

^{xi} JCHS: "The State of the Nation's Housing," 2016; BPC: "Healthy Aging Begins at Home," 2016

^{xii} HUD Office of Policy Development and Research, "PD&R Expert Convenings: Summary Report," 2015

^{xiii} BPC: "Healthy Aging Begins at Home," 2016

^{xiv} JCHS: "Projections and Implications for Housing a Growing Population," 2016; BPC: "Healthy Aging Begins at Home," 2016

^{xv} Pew Research Center: "A record 60.6 million Americans live in multigenerational households," 2016

^{xvi} Generations United: "Multigenerational Households – Factsheet," 2009

^{xvii} Pew Research Center: "A record 60.6 million Americans live in multigenerational households," 2016

^{xviii} JCHS: "The Continued Growth of Multigenerational Living," 2017