



An Affordable Home of One's Own

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Introduction

As individuals age, their need for suitable, affordable, quality housing is increasingly important. However, whether they rent or own their home, most older adults have increasing difficulty finding or maintaining housing that meets their changing housing needs as they age and fits within their financial means.

Unfortunately, as the need for affordable housing rises, particularly with a growing older population, funding for federally assisted housing programs has been flat for more than two decades. The supply of affordable housing is further depleted as owners of federally subsidized properties convert their units to the private market.

This report examines the housing needs of America's seniors, the status of federal housing programs, and what actions may be taken on the federal, state and local levels to address what the recent Congressionally-established Seniors Commission characterized as a "quiet crisis in America."¹

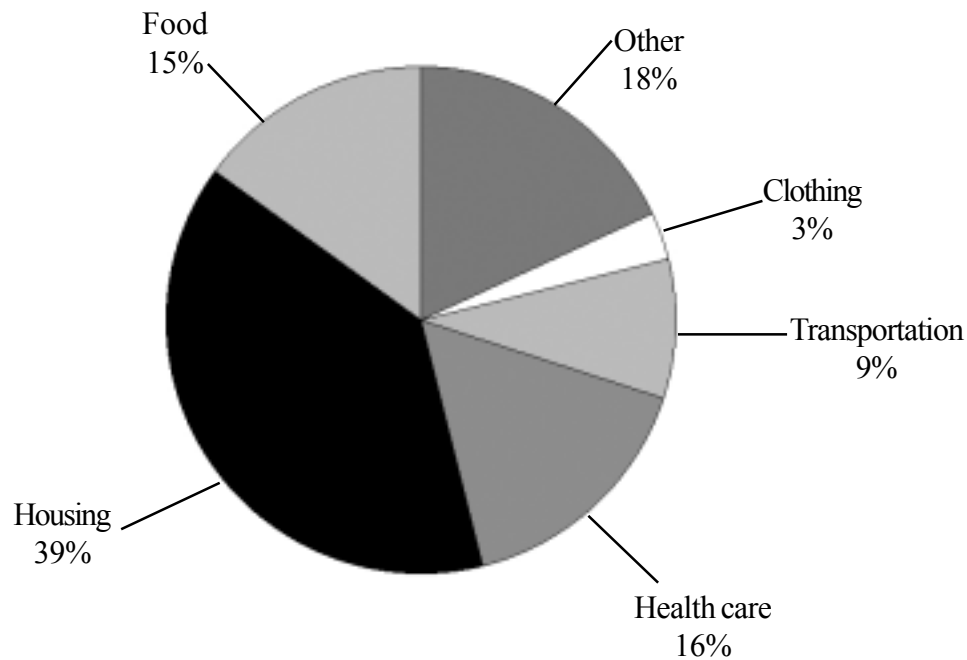
Housing Needs of Older Americans

More than seven million older households are having difficulty paying for housing or are living in physically substandard dwellings. By 2030, with decreased investment in housing and the aging of the baby boom population, that number is projected to rise to 11.3 million.²

Most senior households, whether homeowners or renters, are spending more than 30 percent of their income on housing, which goes beyond what is considered affordable.³ Both married and unmarried adults over age 65 devote a disproportionate share of their total expenditures to housing.⁴ In fact, as Figure 1 shows, older unmarried adults, three-fourths of whom are women, on average spend more of their income on housing (39 percent) than they do for other basic necessities, including health care, food, and clothing combined (34 percent). Housing is also the major cost for married persons over age 65; accounting for 29 percent of expenditures.⁵

Many older adults are "house-rich" but cash-poor. They own homes with a large amount of equity, but do not have adequate cash flow even to cover housing expenses such as utilities, maintenance, property taxes, and physical modifications required to allow for aging in place⁶ and independent living.

Figure 1. Average Annual Expenditures by Category of Unmarried Adults Age 65+



Source: Urban Institute. "Understanding Expenditure Patterns in Retirement." January 2005.

Unfortunately, at the same time, nearly 30 percent of older homeowners are both house-poor—their house is of low market value—and cash-poor.⁷

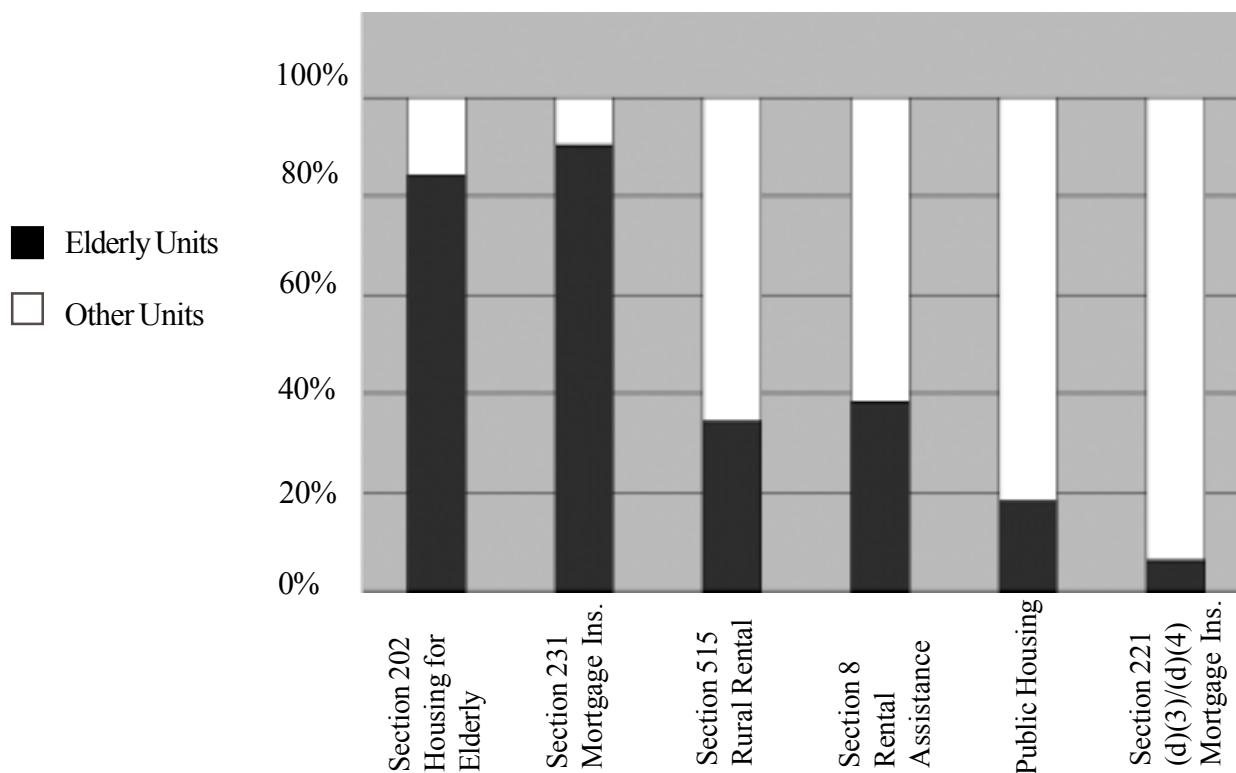
In addition, the isolation and substandard housing older Americans living in rural areas experience must be addressed. Rural areas have little to non-existent public transportation and a limited social service infrastructure. Twenty-seven percent of all older households are in non-metropolitan areas. Approximately 426,000 or 8 percent of rural older households have housing quality problems. Over 44 percent of rural elderly households consist of a person living alone; 77 percent of them are women who are vulnerable to slipping into poverty as they age.⁸

Federal Housing Programs for Seniors

Federal housing programs are critical to low and moderate-income seniors. Older persons occupy at least 1.3 million units or approximately 30 percent of the households participating in federal programs for which data is available. Figure 2 shows the percent of units designated for elderly in major federal housing programs although the actual occupancy rates are often higher.⁹

The **Section 202 Supportive Housing for the Elderly**¹⁰ program provides funds to nonprofit organizations to develop affordable rental housing exclusively for very low-income elderly households. Approximately 25 percent must be set aside for rural areas. In 2004, there were an estimated 266,251 Section 202 units designated for the elderly.¹¹ However, the program reaches only an estimated 8 percent of very low-income elderly renter households and there are as many applicants waiting for admission as there are residents currently residing in available units.¹² Many communities have multi-year waiting lists.

Figure 2: Federal Housing Programs with Units Designated for Elderly, 2004



Source: General Accounting Office. "Elderly Housing: Federal Housing Programs that Offer Assistance for the Elderly." February 2005.

Federal funding for Section 202 has sharply declined from a peak of nearly 25,000 annually funded units in the 1970s, to 15,000 in the early 1980s, 11,000 in the late 1980s to just 5,200 in recent years. The fiscal year 2005 appropriations for Section 202 funds fewer than 5,000 new units. More than 1.5 million older persons are living in housing that costs too much, is in substandard condition or fails to accommodate their physical capabilities or required assistance levels. Thus, allocations for this senior housing program represent only .03 percent of the minimum units ill-housed seniors desperately need.¹³

Section 8 is a rental assistance program designed to fill the gap between fair market rents and the rents charged to low-income persons. It is a major housing support for low-income older and disabled families. Section 8 assistance may be project-based, providing subsidies to landlords who agree to rent to low-income families and individuals, and tenant-based, providing low-income persons rental assistance in the form of rental certificates and vouchers, now called Housing Choice Vouchers. Thirty-eight percent of Section 8 project-based rental assistance is designated for the elderly. Inadequate funding as well as disincentives for private owners to accept voucher-holding tenants have drastically restricted the supply of such housing and displaced many occupants from affordable housing.

Without restraints, the practice of property conversion could dramatically reduce the supply of affordable housing for older Americans.

Key to a national housing policy is recognition that suitable and affordable housing and services help not only America's seniors but also their families who care about them.

The **Section 515 Rural Rental Housing Program** has been a major funding source for rural housing for a number of years through the Rural Housing Service (RHS) of the U.S. Department of Agriculture. Thirty-four percent of Section 515 units are designated for the elderly. During its peak years in the early 1980s, the Section 515 program produced more than 20,000 units annually. Funding for the program fell sharply afterwards to an annual production of under 2,000 new units today.¹⁴ Since its start in 1963, 523,000 rental units have been produced for low-income rural residents but more than half are at risk of loan prepayment by project owners and conversion to market rents.¹⁵

The **Section 231, 221 (d)(3) and (d)(4) programs** insure private mortgage loans to for-profit and non-profit owners to encourage the construction or substantial rehabilitation of multifamily rental or cooperative housing. The Section 231 program, which designates 90 percent to elderly units, has largely been replaced by the two Section 221 programs, which designate 18 percent of units as elderly.

Public housing provides affordable rental housing for low-income families, including the elderly and disabled, through 3,000 local public housing authorities. Although 6 percent are designated for the elderly, over one-third of public housing residents are seniors due partially to aging in place.

The housing shortage for older adults is exacerbated when owners of rental properties opt out of low-income, federally subsidized housing programs. The problem is particularly acute when federal contracts expire for properties located in desirable locations. Owners then have a strong incentive to remove their properties from federally subsidized housing programs and put them on the private market. Between 1996 and 2001, the conversion of government-subsidized properties to market rate rentals resulted in a decline of over 20,000 units in elderly properties.¹⁶ Without restraints, the practice of property conversion could dramatically reduce the supply of affordable housing for older Americans.

Supportive services are essential to aging in place. Developing and maintaining affordable, comprehensive, and dependable community-based services is necessary in order to provide the range of care older persons needs as they age. Such services include personal care, transportation, assistance with daily and household tasks, and structured social activities. Approximately one-third of older tenants living in government-subsidized housing require assistance with activities of daily living. However, only 4 of 23 housing assistance programs provide grants and funding to owners of properties to ensure that supportive services are available.¹⁷ Four other programs require that supportive services be made available to elderly residents but do

not provide funding. The **HUD Congregate Housing Services Program (CHSP)** has made modest grants to public housing agencies and Section 202 housing projects since 1978 to cover the costs of service coordinators, meals and a range of other non-medical supportive services for frail elderly and non-elderly disabled persons. No new grants have been awarded since 1995 although Congress has provided funds annually to extend expiring grants on existing projects.

Since 1990, the HUD **Service Coordinator Program** has provided federal funds to owners of federally assisted senior housing projects to hire service coordinators to assist frail residents in obtaining supportive services in the community. These services are intended to help seniors live independently and to prevent premature and inappropriate institutionalization. In 2003, service coordinators were serving more than 111,000 units in senior properties.¹⁸ Despite the critical role that this program has demonstrated in assisting frail and at-risk seniors to maintain their independence and remain in the home, federal funding is very limited, uncertain, and in recent years primarily available only to extending current contracts.

Assisted living facilities are the fastest growing option in senior housing accounting for 75 percent of new senior housing. Assisted living facilities coordinate personal services in a congregate residential setting that accommodates changing needs and preferences as residents age. However, most are expensive—monthly fees may exceed \$2,000.¹⁹ The HUD **Assisted Living Conversion Program (ALCP)** provides grants to non-profit elderly housing properties for the conversion of some or all of their housing units into assisted living. However, no ALCP funds may be used for any of the supportive services that the owner is required to provide, including meals.

State and Local Efforts

Beyond increased federal funding for subsidized housing and a range of services for those who are aging in place, other solutions for increasing affordable housing lie with states and local communities. State and local governments have a range of funds, governances, and other resources that have been used to develop, rehabilitate, and preserve affordable housing for older persons, as well as for infrastructure and related services. Funds for housing or related services include federal HOME Investment Partnerships and Community Development Block Grants (CDBG) programs, bonds, tax incentives, general funds and state or local housing trust funds.

Numerous urban areas are undergoing substantial revitalization efforts with multi-purpose buildings accommodating businesses and apartments. The resulting rents, however, are often out of reach for moderate and low-income families. Some local governments have used “inclusionary zoning” policies that require developers of new apartments, townhouses, and multi-unit buildings to allocate a specific percentage of units to individuals at various income levels in return for concessions and profitable incentives. These requirements can include density bonuses—allowing more units per lot—that reduce construction costs and increase ultimate income. While this approach does not usually need an infusion of public money, long-term success requires that price controls remain in place for decades.

Resourceful housing options for older persons are often limited by restrictive state and local zoning policies. Zoning ordinances can set up barriers to supportive housing arrangements such as shared housing, accessory apartments, and co-housing (See Box). States can play an

important role in reducing these barriers with enabling legislation that sets the ground rules for local land use controls encouraging affordable housing development.²⁰ Local jurisdictions can take the lead with public education to decrease “not-in-my-backyard” resistance. States also can initiate home repair and retrofitting programs for qualified seniors and those with disabilities.

Innovative Housing Arrangements

Shared Housing. In shared housing, common living space is shared and at least two unrelated persons reside. It may be agency sponsored where people who have space in their homes are matched with individuals looking for an affordable place to live. Individuals also make their own arrangements through an agreement with friends and acquaintances to economize. A benefit in addition to saving on housing expenditures is companionship.

Accessory Apartments. Accessory apartments differ from shared housing in that occupants have their own kitchens, bath, and often own entrance. The concept originated in Australia as “granny flats.” It may be a completely private living space installed in the extra space of a home or a separate structure on the same lot. They offer a way for families to provide nearby housing for parents and grandparents while they maintain their independence.

Co-Housing. This type of housing began in Denmark in the 1960s and was introduced in the United States in the late 1980s. A co-housing community combines private space and communal living. They are designed and managed by residents and usually consist of single family homes clustered on a pedestrian street or around a courtyard. The orientation of buildings encourages social interaction and a sense of community. Residents share a common building where meals are prepared and shared two or three times a week, and may include other rooms for daily use such as a laundry, workshop, library or exercise room.²¹

Recommendations

Key to a national housing policy is recognition that suitable and affordable housing and services help not only America’s seniors but also their families who care about them.

The following recommendations require action on the part of Congress, the Bush administration, and state and local governments.

- **Housing Construction.** Congress should increase federal funding for HUD’s Section 202 program for the construction of at least 60,000 units of new supportive housing designed for low and moderate-income seniors.

- **Coordination.** A federal Interagency Council on Meeting the Housing and Service Needs of Seniors should be established to serve as the focal point for the development, streamlining, and oversight of federal policies, programs, and resources to increase the availability and effectiveness of affordable senior housing and link supportive services and care.²²
- **Services.** Congress should increase funding for a range of congregate and community-based supportive services and health care to meet the varied needs of older persons at different stages of their lives.
 - Congress should increase funding for the staffing of well-trained service coordinators in public and federally assisted senior housing, as well as sufficient funds for coordinators in the routine operating budget of projects.
 - Congress and the Administration need to promote, fund, and facilitate increased collaboration between housing, and social and health care services, including the development and use of technologies and exemplary models.²³
- **Preservation.** To maintain federally assisted housing and avoid its conversion to market rate use, Congress should enact a preservation program that would provide federal funds matched by other state or local resources with flexibility to use for preserving affordable housing for low and moderate-income older persons.
- **Federal, State and Local Initiatives.** Congress and the Administration should develop additional resources to enable funding for non-profit housing and services for seniors, including a national housing trust fund, with a dedicated funding stream, that would provide much needed resources possibly supplemented by funds from state housing finance agencies.
- **State and Local Government Policies.** They should address housing, health care and other needs of older persons as part of a comprehensive community-wide, intergenerational strategy. They can change zoning laws to encourage developers to include a supply of affordable housing units within new construction. They should also allow for the establishment of alternative housing arrangements in single-family residential areas.

Conclusion

As the Seniors Commission documented, the existing and projected need for suitable and affordable housing for increasing numbers of seniors is woefully inadequate. Legislatures and government agencies on all levels of governments should develop a public housing policy and long-range strategies to ensure adequate federal, state and local resources are directed to the provision of adequate supportive services and the development, rehabilitation and preservation of suitable and affordable housing for older Americans.

Suitable and affordable housing needs to be clearly recognized as an essential part of long-term care and one of the core components of quality of life for older persons and their families. All other essential elements—economic, health and social well-being—revolve around whether one has a home that is adequate, affordable and accessible. Meeting the housing, health care and supportive service needs of increasing numbers of seniors needs to become a national priority.

Endnotes

- ¹ This is the title of the final report of an 18-month study mandated by Congress, the most comprehensive examination of housing needs of older Americans to date. The commission's full title is frequently shortened to the "Seniors Commission." See following end note.
- ² "A Quiet Crisis in America." A Report to Congress by the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century. Washington, D.C. June 30, 2002.
- ³ U.S. Government Accountability Office. "Elderly Housing: Federal Housing Programs that Offer Assistance for the Elderly." February 2005.
- ⁴ Housing expenditures include mortgage payments, property taxes, insurance, rent, utilities and maintenance.
- ⁵ Butrica, Barbara A. et. al, "Understanding Expenditure Patterns in Retirement." The Urban Institute. January 2005.
- ⁶ Aging in place refers to growing older where one lives without having to move.
- ⁷ "A Quiet Crisis in America."
- ⁸ Housing Assistance Council. "Rural Seniors & Their Homes." January 2004.
- ⁹ U.S. Government Accountability Office. February 2005.
- ¹⁰ Most federal housing programs use the term "elderly," which is defined as individuals aged 62 and older. An elderly household is one in which the head or spouse is elderly. Although the Section 202 program currently targets the elderly only, not all units are so designated because the program also produced housing for the disabled until 1993.
- ¹¹ U.S. Government Accountability Office. February 2005.
- ¹² For example, the Elderly Housing Development and Operations Corporation (EHDOC), a non-profit corporation providing affordable housing for 4,000 low and moderate-income seniors in 42 housing facilities in 14 states, reports that it has 4,200 on a waiting list. www.ehdoc.org
- ¹³ "A Quiet Crisis in America."
- ¹⁴ U.S. Government Accountability Office. February 2005.
- ¹⁵ Housing Assistance Council. January 2004.
- ¹⁶ Elderly properties are those where 50 percent or more of the households are age 62 or over.
- ¹⁷ U.S. Government Accountability Office. "Elderly Housing: Federal Housing Programs and Supportive Services." June 16, 2005.
- ¹⁸ Ibid.
- ¹⁹ Housing Alliance Council. January 2004.
- ²⁰ For example, with grants from the Coming Home Program of the Robert Wood Johnson Foundation, eight states (Alaska, Arkansas, Florida, Iowa, Maine, Vermont, Washington, and Wisconsin) have made regulatory and reimbursement changes to develop affordable assisted living for frail low-income seniors in smaller communities.
- ²¹ www.cohousing.org.
- ²² A bill (S.705) has been introduced in the Senate by Senator Paul Sarbanes (D-MD) that would establish such an interagency council to promote coordination and collaboration among the federal agencies that provide housing, health care, and other services to seniors.
- ²³ One such model is the Program of All-inclusive Care for the Elderly (PACE) administered by the Centers for Medicare and Medicaid Services and available in 18 states. Medical institutions provide care and social services in participants' homes or at day care centers. The program integrates Medicare and Medicaid financing. Individuals must be certified as eligible for nursing home care.

This is the sixth in a series of issue briefs from the Alliance for Retired Americans Educational Fund on issues and programs that should be considered at the White House Conference on Aging scheduled for December 11-14, 2005 in Washington, D.C.

This report was researched and written by Dianna M. Porter, director for policy. ARAEF gratefully acknowledges Steve Protulis and Larry McNickle, executive director and consultant, respectively, at the Elderly Housing Development and Operations Corporation, for their reviews and comments.

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