

HOUSING THE ELDERLY: PROSPECTS AND CHALLENGES

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ABSTRACT

Over the past half century several sociological factors have changed that have created significant difficulties in housing the elderly. Since World War II, women have increasingly been an active part of the workforce thus leaving less time for them to be caregivers for the elderly. American families have become much more mobile separating the average family from the area of origin. Consequently, there is less family in an area available to share the care-giving responsibilities as the parents and other close relatives age. Demographic issues have also exacerbated the problem. The average expected lifespan has increased significantly thus contributing to both the number of elderly as well as the numbers of persons of advanced age that need help beyond self care. In addition, family formation has been substantially postponed during the same period thus reducing the number of children in a family. Consequently, there are less children to spread the care-giving.

This paper will explore the problems our country faces in housing its elderly population. It will examine the current and future demand for such housing as well as some of the challenges in providing adequate housing product.

INTRODUCTION

One of the most aspired dreams of people across the globe is to have a place of their own that they can call "home". To varying degree this is accomplished by people of different walks of life. The dream of home ownership is also a very basic and a cherished goal among the American people. Due to a number of factors such as Federal assistance, type of construction, mortgage financing, secondary mortgage markets, existence and development of innovative financial techniques, and mortgage insurance about 68 percent of all Americans have been able to achieve this dream. However, the distribution of home ownership is not uniform across different race, age, and income groups. The rest of people reside in rental properties with unique attributes of its own. A vast majority of the renters have been out of the home ownership phenomenon that we have seen in the decade of the 1990s and the prospect of them having home of their own is not so bright in the future. The primary reason for this is the relationship between the income of these people and home prices. There is a significant mismatch between the income of some renters and the home prices. This mismatch is exacerbated by the rapidly rising rents enabling these people from accumulating enough capital to afford a home. These factors combined with income growth that has not kept pace with the home prices over time is going to make it especially harder for this group of people in achieving their American dream of home ownership.. Moreover, the

policies pursued by many municipalities are detrimental to lower income people and their ability to change their home ownership status. Such factors as zoning laws, impact fees, property lot size restrictions, combined with the developers' square footage restrictions make it doubly hard for lower income people from achieving their goal of home ownership.

In the past we have seen population movement from central and urban areas to rural areas and this trend is to continue in the future. Many people are leaving the city life and moving to the rural areas. The reasons are varied but this phenomenon is common to people of different ethnic, income and age groups. This trend will have significant implications for the rural area in terms of affordable and adequate amount of housing, infrastructure to accommodate the new arrivals, transportation and health care. These combined with the fact that people are getting older will make it imperative for the local municipalities to have a coordinated plan to deal with these issues over time. A fragmented approach to dealing with these three problems, housing, transportation, and healthcare, will have significant implications for people and the municipalities in question.

The emphasis of this paper is an adequate and affordable amount of housing for the elderly population in the rural areas since the rural areas are the least prepared for the significant increase in this segment of the population. This housing problem is

not limited to homeownership but rather deals with where these people will be placed. Where and how these people will live are significant issues in light of the fact that elderly population is growing. Today there are 35 million people of 65 years older and this population is expected to reach about 53 million by the year 2020 and then jump to 70 million strong by the 2030 according to the Administration on Aging.(1). One of the greatest challenges facing municipalities is properly housing the 85+ population as their size is expected to grow from the current level of 4.2 million to 8.9 million by 2030.

DISCUSSION

The population of the U.S. has increased over time and today is close to 300 million people. With the increase in population, the population of the people 65+ is also on the rise and is expected to significantly increase overtime as baby boomers will approach the retirement age. In 1900, 65+ accounted for less than 5 percent of total population, Today they account for 12.4 percent and this number is expected to increase to 20 percent by the 2030. One of the goals of people from different income and age groups is to have a place to live, a place that they can call home. Hence one of the concerns is obtaining affordable housing for both the working population and that of the elderly. Affordable housing has become one of the main national issues. Although home ownership stands at about 68 percent and the stock of homes is 120 million, there is a large segment of population that do not have their own home and have to rent a place(2). One would think that there is an adequate amount of housing which are available at reasonable prices, but the reality is different. The lack of affordable housing is wide spread across the nation. It is extremely difficult to rent a place on minimum wage income in any metropolitan area. About 20 million households earn less than \$30,000 a year and many renters and the elderly whom are or fixed income pay more than fifty percent of their income toward rent.(3) The problem is not confined to minimum wage earners, but rather it impacts a larger segment of the working population. Lately, the concept of "workforce housing" is assuming greater importance. That is to say people who do the "vital works" in a community ought to be able to afford a home. In "Paycheck to Paycheck: Working families and the Cost of Housing in America", the National Housing Conference studied the availability of affordable housing in five "Vital occupations". The vital occupations were identified to be janitorial workers, elementary school teachers, police officers, licensed practical nurses, and retail salespeople. The study found that only a very small percentage of these people could afford a small place housing units

for no more than 30 percent of their income. The study also concluded that a practical nurse or a police officer with one income in their families could not afford a median priced home in the community that they work. Some workforce can only find affordable housing in the surrounding areas and commuting to work which in itself increases the cost to workers. Availability of affordable housing within a reasonable commuting distance has become more of an issue for business location decision.(4) In other word, in many localities as supply of affordable housing lags demand for such housing, essential workers may not be able to afford to live in communities where they work.

Causes:

The problem has been caused by two events:

A-On one had many rental units that were available to low income people, amongst them low income elderly, through various HUD programs are being

taken off the market and hence shrinking the supply of available housing units. About 1.5 million of the section 8 housing units are being taken off the program in the next five years.(3) The reason for this is that the private market rent is greater than what the owners will receive through HUD. There are multitudes of factors contributing to this problem. Rising housing production cost, inadequate public subsidies, restrictive zoning practices, adoption of local regulations that discourages housing development, and general rise in home prices are among the factors for the widening gap between the demand for affordable housing and the supply of it. One of the causes can be attributed to higher real estate prices that we have seen in the last few years.

U.S. Housing Market Condition: Home Prices

	New Homes		Existing Homes	
	Current Q	Previous Q	Current Q	Previous Q
Median	\$189,300	\$186,000	\$168,900	\$161,200
Average	\$241,700	\$233,000	\$215,600	\$204,000

Source: Department of Housing and Urban Development

Given the real estate prices, it would be difficult for the low income people to afford purchasing a home of their own. It forces them to rent. The higher real estate prices have also pushed the rents up with the average rent being about \$900.00. Since a large number of people earn less than \$30,000 a year, they

have to spend more than one third of income toward rent.

75-79	47	28
80+	45	31

The problem is not confined to minimum and low wage earners as about 40 percent of the elderly people's income is less than \$30,000 a year.

Source: Administration on Aging Recommendations:

Income Distribution of Seniors, 2001

Annual household income	Percent of households
Less than \$10,000	3.6
\$10,000-14,999	7.1
\$15,000-24,999	21.2
\$25,000-34,999	20.0
\$35,000-49,000	18.3
\$50,000-74,999	14.2
\$75,000 and over	15.6

However, there are many steps that localities can take and implement over time that will alleviate some of the problems.

- 1- Maintain the existing stock of public housing.
- 2- Reduce the exclusionary practices of the past.

Source: Administration on Aging, Profile of Older Americans

The renter low-income elderly will find it increasing difficult to afford a home. However the vast majority of elderly will not have a problem with affordable housing. It is the lower income elderly that will have a problem. According to HUD, In 2001, 80 percent of households headed by older persons were owners and 20 percent were renters. In 2001, the median family income of an elderly homeowner was \$23,400 which may not seem significant until one takes into consideration that 73% of older homeowners owned their homes free and clear of any debt. The median value of a home owned by an elderly was \$107,000, giving them significant cushion against protracted expenses. For this group of the elderly the potential problem is if they encounter significant healthcare expenses, forcing them to sell their homes in order to pay for the medical expenses.

Elderly Population in 2000 By Age

Age Group	Number (Millions)	Percent Total Population	Percent Senior Population
Total Population	281.4	100	
Total 65 and older	35.0	12.4	100
65-74	18.4	6.5	52.6
75-84	12.4	4.4	35.3
85 and older	4.2	1.5	12.1

A second source of the problem that has caused the rents to go up is gentrification of different localities. As different locations go through extensive modifications, they will command higher rent which reduces the supply of the lower rental units, creating a pent up demand for them and causing the owners to opt out of HUD programs.(5)

Source: Administration on Aging, Profile of Older Americans

B- On the other hand, properties that are run down and require extensive capital expenditures to upgrade, and the rental incomes are low, are allowed to deteriorate further and eventually will be taken off the market. But this is slow death and it takes years to become available for other usage.

The population of the elderly is expected to reach 70 million by 2030. If one presumes that the states maintain the same ratio of the elderly, then PA will see its elderly population to increase to 4 million people, double the current amount. For the states with large elderly population regardless of their income levels the costs are significant. In the seminal ruling by the U.S. Supreme Court in the case of Olmstead vs. L.C. (527 U.S.581), The ruled that states must provide services appropriate to the needs of qualified people with disabilities. Many senior citizens will qualify for this since they many will not be able to perform Activities of Daily Living (ADLs) (8). This will have significant implication for Pennsylvania as a good portion of the elderly have disabilities.

What Could Be Done?

Percent with Disabilities, by Age

Age:	With any disability	With severe disability
65-69	74	58
70-74	58	38

The affordable housing problem can be addressed from three different sources: Federal, State and Municipal, and private market. The role of the Federal government in housing market has been established. Through various projects offered by HUD, the federal government has helped the lower income group being able to have access to affordable housing. Programs such as Section 8 and Section 202 have been helpful to many people over time. The private providers are driven by economic motives and cater to those who have the financial resources to pay

for the service. The emphasis of this paper is what the states and municipalities do to address this growing problem.

A good percentage of lower-income elderly live in central cities. A number of factors account for this, such as race, good public transportation, availability of social welfare network, and exclusionary zoning practices in the suburbs. However, as more jobs and housing are increasing located in the fringes of cities, greater number of lower-income people are moving to the suburbs. (6)

The Millennial Housing Commission correctly concluded that housing problem is a local issue and any program that is developed must reflect the variations in different localities.(7) As was noted earlier the elderly population is on the rise and more than fifty percent of them live in nine states. Pennsylvania is currently the home to 2 million of the elderly.

3- Streamlined Permitting: The state will require that a "fair share" of affordable housing to be provided in meeting the needs of the locality and process the application with greater expediency.(9)

4- Accessory Dwelling Units: This generally can provide affordable rental housing or accommodates elderly parents with housing while maintaining their independence. Usually can be afforded by the higher income children. It also depends on whether local zoning laws permit a second dwelling on the same property or not. I believe that most local zones will restrict this type of dwelling due to set back requirements. However, basements could be fixed up for rentals.

5-Development Agreements Master Planned Communities: the developer may design a whole area consisting of affordable housing or part of thereof

6- Relaxed Floor-Size Minimums. This only works in lots that are not part of a housing development as the private investors may impose their own requirements on the floor size.

7- "Proportional" Impact fees. The fees should not be a flat rate as the impact on infrastructure might be different on the locality. However, larger homes do not necessary translate into higher impact on the community. It is plausible that people who have larger homes, and hence larger income, may opt to have smaller number of children. I am not certain that there is a positive correlation between the size of the family and the size of the home.

8- Affordable Housing Trust Funds. Certain revenues and fees, such as a portion of real estate transfer tax, and penalties on late payments, could be placed in these funds to finance affordable housing in targeted areas.

9- Multifamily apartment housing units. These could be used to support the single-family housing values. One has to pay attention to design and the size of these units.

10- Inclusionary Housing Requirements: these will require developers of large units of housing to set aside a certain amount, 10 to 15 percent, for affordable housing. One has to guard against what Matthew Mosk(10) recently reported in the Washington Post that localities are waiving this requirement if the developer is willing to pay certain fees. These fees are supposed to go into Affordable Housing Trust funds that could be applied to targeted area. However, this will defeat another goal of the legislators in steering the lower income people to particular area rather than being mixed in more expensive housing areas.

11- Housing Enterprise Zone: Designate a targeted area and offering incentives such tax abatement, low interest loans for homeowner-occupier, and no impact fees on new homes.

12- Leveraging the Low-Income Housing Tax Credit: The credit is offered the investor in housing for the federal income tax liabilities. Extending the time that is required to receive this credit, will reduce the number of units that are being pulled out of the program and hence enhances the pool of affordable housing in an area.

Clarion and Clearfield Counties:

	Clarion County	Clearfield County
65+ population	15.2%	16.9%
Median Age	36.3	39.3
Media Age for Urban areas	37	37
Did not move	63%	70%
Homeownership rate	72%	79%
Average Rent/month	\$363	\$333
Assisted Rental Units	452	791
Subsidized Units	28%	12%
Median Household Income	\$30,770	\$31,357
Poverty Rate - 1999	15.4%	12.5%

Source: Center for Rural Pennsylvania

A cursory analysis of the data indicates that although the median household income is low, the low rentals make the two communities very affordable to low - income families. A factor in favor of the Clearfield County is the higher percentage of homeownership which above that of Clarion and the national average. This helps keeping the rent down to an affordable level. The employment levels are similar in the two counties. All in all , neither one seems to have any special problem with affordable housing . This is due to high rate of homeownership and the lower cost of living.

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