



# An Assessment of Demand For Affordable Senior Housing in Minnesota

*Prepared for:*

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### Principal Conclusions

Based on the analysis, Maxfield Research identifies the following key conclusions:

- People age 55 years and older are projected to increase from an estimated 1.57 million in 2015 to 1.83 million by 2020, an increase of 260,000 people, an increase of 16.6% in five years.
- This increase in the senior population will create significant additional demand for housing and care services;
- Households age and income-qualified for “affordable” senior housing are estimated to total 149,723 in 2014, increasing to 219,879 by 2020. Using a short-term capture rate of 10% of age and income-qualified households, we conservatively estimate demand for 14,972 units of affordable age-restricted housing in 2014 increasing to 22,988 by 2020, an increase of 54%.
- Older adults need housing with rent levels that are affordable to their incomes and increased access to chore and care services;
  - Rental costs in the Twin Cities continue to escalate and vacancies are low; in some areas, severely low;
  - The high cost of rental housing production throughout the State has greatly limited the construction of independent living senior units in Greater Minnesota.
- Cost burden rates for seniors are higher than for non-seniors and they increase as households get older. Fifty-four percent (54%) of senior renters and 26% of senior owners spend 30% or more of their income on housing versus 46% of non-senior renters and 24% of non-senior owner households. As households age, they pay a higher proportion of their income on housing. The current gap is expected to widen as the proportion of older adults increases.
- According to the Wilder Foundation’s Statewide 2012 Homeless Study, older adults (55+) had the largest percentage increase in homelessness since the 2009 study. Statewide, 777 homeless adults age 55 or older were counted in the 2012 study, up from 526 in 2009, a 48% increase. Adults 55+ represent 8% of the homeless population and 26% of the total population in Minnesota. In Greater Minnesota, the survey found double the number of homeless older adults (55+) not using shelter. Shelters in Greater Minnesota are often found to be at capacity. Older adults on fixed incomes are often in precarious economic situations and when rents are increased, they may find themselves not being able to pay rent, buy food and take care of medical expenses on small incomes.

## SUMMARY

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- Many seniors are likely to outlive their assets or may not be able to access those assets (selling their single-family homes) because of:
  - lack of demand for the single-family home from younger households
  - higher levels of debt on existing homes (continued mortgage balances)
  - lack of affordable housing options in their communities
- The highest proportion of households age 65 or older have household incomes of \$10,000 to \$30,000.
- A majority of low income seniors that have a disability, rent their housing.
- Housing cost burdens increase the older the household.
- Affordable housing options are scarce.
- Federal funding has been cut back and further cuts are anticipated.
- Existing housing typically has long waiting lists.

### Key Findings

#### ***Dramatic population growth***

Housing an aging population and providing “affordable” housing for older adults is already a prevalent topic of discussion and research across the Nation, involving some of the largest elder organizations in the country. These concerns will rapidly become a reality over the next 15 years as the baby boom generation becomes the largest older adult population in our nation’s history.

In Minnesota, people age 55 and over are projected to increase from an estimated 1.5 million in 2015 to more than 2.1 million by 2030, an increase of 39% versus an overall increase in the total population during this same period of 8.9%. In terms of sheer volume alone, the number of older adults that will need assistance with housing and those that will need services will rise dramatically.

#### ***Market Rate Age-Restricted (55+) Housing***

Market rate age-restricted housing has continued to proliferate in the U.S. with healthcare organizations and private developers that have responded to demand from upper-middle income and affluent households to provide housing and services. However, the rapidly rising costs of providing this housing are often beyond the reach of low- and moderate income older adult households, particularly older adult renter households, whose average net worth is estimated at \$6,100 (Survey of Consumer Finances – 2010). Costs for housing with services are increasing at rates of between 3% and 6% annually according to national surveys. Minnesota’s cost increases at private pay facilities also fall within this range.

#### ***Older Adults Owning and Renting***

Maxfield Research Inc. has been documenting household tenure trends in the Twin Cities Metro Area and in the State of Minnesota for 30 years through our real estate consulting practice. Between 2000 and 2010, Maxfield Research Inc. has noted a modest shift downward in a number of submarkets in the proportion of those ages 55 to 64 that own their housing. Typically very high, the proportion of ownership in this age category has started to decrease. Some of this decrease can be attributed to baby boomers making a shift in their living arrangements, from owning to renting at an earlier age than did their parents. While more affluent baby boomers are able to support their retirement years through investments and home equity, the increased longevity of the baby boom generation may result in a portion of boomers exhausting their assets earlier than planned. With the sheer size of this generation, even a small proportion (10% to 15%) could result in a large number of people that will not be able to afford their housing and service needs.

### ***Households Living Alone***

Currently more than 28% of households now live alone in the US and demographers project that this figure will rise substantially due to the aging of the baby boom generation and an increase in more people's preferences for living alone. While the figure above includes a high proportion of young people, many baby boomers are living alone because they have either remained single all of their lives or are divorced or widowed. For those that have never had children, there will be no generation below them to provide care and financial support as has been the case with most of the current generation. Inevitably, this responsibility will fall to the State and Federal government. There are predictions that some baby boomers may never be able to retire or at least not retire until they are well into their 70s and possibly 80s.

### ***Disability and Housing Cost Burdens***

In Minnesota, older adult households at lower incomes are more likely to have disabilities. Of households age 65 or older with incomes of 50% or less of AMI and a disability, 62% rent their housing. For those with incomes between 51% and 80% of AMI and a disability, 51% rent their housing. Households age 65 or older that have a disability at all income levels consistently rent their housing.

Housing cost burdens increase the older the senior household. In Minnesota, an estimated 25% of 85+ households spend 50% or more of their income for housing. An estimated 31% of 65+ household with incomes of 50% or less of AMI spend 50% or more of their income for housing. Typically, households that are renting an apartment are not allowed to make alterations to their units. If there is a need for additional accessibility, this may not be available to the tenant in a typical apartment.

### ***Affordable Older Adult Housing and Services***

The need for affordable housing and affordable care services for the upcoming generation is likely to reach critical proportions within the next 25 years, but already boomers with limited resources, including lower wages and those that have never owned a home, are turning to affordable housing. Those with the lowest incomes, 30% or less of Area Median Income (AMI) are seeing options become increasingly scarce. No new Federally-funded Section 8 housing is being constructed and many properties that were once restricted to those 62+ are now at least partially or in some cases, mostly filled with those under age 62 that have physical or cognitive limitations. Many have waiting lists that extend for several months up to five years or more. Housing Choice Voucher waiting lists are also five or more years and many waiting lists have been closed to new applications in the Twin Cities for several years.

### ***Survey Data and Census Data***

Some surveys of empty-nesters 55 to 64, indicate that they would prefer to remain in their homes rather than relocate. However, national data is not bearing out this finding. Since the inception of the senior housing industry (late 1970s/early 1980s), the benchmark level of seniors living in senior housing was projected at 15% as market saturation. With the broad spectrum of product that is now available to 55+ households in the market, many communities have surpassed this benchmark and the proportion of those 55 or older living in age-restricted housing is still rising.

Changes in lifestyles and the proliferation of housing products to serve populations age 55 years or older has resulted in increased market penetration by older adults that have elected to reside in properties that provide features and services targeted to serve their needs. As of 2013, the number of age 65+ households residing in age-restricted housing in the Twin Cities Metro Area had reached 18%, excluding housing that serves very low-income seniors, which would raise this proportion even higher.

As older adults age into their 70s, they are more likely to move from their single-family homes and are more likely to rent their housing, according to national statistics from the US Census American Community Survey. Therefore, despite many preference surveys that identify 55+ older adult households as desiring to remain in their single-family homes indefinitely, the reality is that increasing numbers of older adults relocate either voluntarily or involuntarily because of a health issue or the death of a spouse.

According to data provided by the American Community Survey through the US Census Bureau, the highest proportion of households age 65 or older have household incomes of \$10,000 to \$30,000. Roughly 180,000 age 65+ households in Minnesota or xx% of the total had annual incomes of less than \$28,000 (roughly half of the state median income).

### ***Rental Housing Costs Increasing***

For 65+ households with incomes of less than \$28,000, their median annual income is only \$16,000. Therefore, housing costs for those earning the median would need to be \$400 per month to be considered affordable. While some apartment rental rates in greater Minnesota are at this level, the housing product is typically not accessible (i.e. does not have an elevator, may only have stairs, may not be wheelchair accessible or other factors which limit the ability of seniors to be able to reside in these general market properties. In the Twin Cities, the average rental rate for a studio apartment is \$759 per month and the average rental rate for a one-bedroom is \$875. Clearly, average Twin Cities Metro Area rents are unaffordable to this group.

## SUMMARY

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In Greater Minnesota, the lack of affordable housing options for low and moderate-income seniors, especially those with homes that have modest values, creates a gap in the market whereby a proportion of seniors have insufficient assets to relocate to market rate facilities. Although Elderly Waivers provide an option for these households that need services, an increasing number of market rate assisted living facilities will often not accept seniors that have not been admitted first as private pay. This is primarily due to the low reimbursement rates under the Elderly Waiver program versus the cost of care.

### ***Rise in Homelessness among Older Adults (55+)***

According to the most recent Wilder Foundation Statewide Homeless Report (2012), older adults (55+) experienced the largest percentage increase in homelessness among all of the age cohorts since the 2009 study. The 2012 report counted 777 homeless older adults age 55 years or older, up from 526 homeless older adults in 2009, a 48% increase.

The 2012 study also found that the number of homeless older adults (55+) not utilizing shelter in Greater Minnesota had doubled since the last survey in 2009.

Additional key findings from the 2012 homeless report include:

- Homeless older adults are the fastest growing segment of the homeless population.
- Males, African Americans and military veterans continue to be overrepresented among older homeless adults.
- About half of older adults did not become homeless until they were age 50 or older; most are unemployed.
- Income support is a critical aspect of support for older homeless adults. While older homeless adults had a higher median monthly income compared to homeless adults under age 55 (\$400 vs \$342), they relied more on General Assistance and Social Security for their income than homeless adults under age 55.
- Sixty-nine (69) percent of older homeless adults reported having chronic health problems. High blood pressure, diabetes, and chronic lung problems were the conditions most often reported. In addition, 41% reported having chronic or persistent mental health problems.
- Forty-five (45) percent of older homeless adults reported they could pay \$200 or less per month for rent. The median amount that older homeless adults said they could pay was \$226.

## SUMMARY

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- More than one-quarter of homeless adults said they needed assistance in applying or reapplying for benefits. Older adults often turn to family for assistance in this area, but 43% of older homeless adults reported they were disconnected from their families.

### ***Decline in Affordable Housing Funding for Older Adults and Seniors***

Programs to provide affordable housing for 55+ and 62+ households have been substantially reduced throughout the US and in Minnesota including project-based Section 8 and Section 202. Minnesota Housing's point system for LIHTC funding favors non-senior affordable development. Rural Development funding is available, but is restricted to geographic areas outside of the Twin Cities Metro Area. HRAs/CDAs have provided affordable senior units, but are also trying to manage scarce resources among all of their constituencies. These units have largely filled rapidly, maintain high occupancies and have substantial waiting lists. The need is much greater than the available supply.

### ***Age and Income-Qualified Market and Market Penetration***

As of 2012, there were an estimated 183,605 households with incomes of less than 50% of the state's adjusted median income (AMI)<sup>2</sup>. The median income for this group was approximately \$16,000 and accounted for 39% of all 65+ households.

In calculating the potential demand for affordable housing units that would serve low and moderate income households age 55 or older in Minnesota, Maxfield Research identified a total of 149,723 households that would be age and income/qualified in 2014. This figure is projected to rise to 219,879 by 2020 or an increase of 70,156 new households over the period, an average of 11,700 households annually. These figures account for low- and moderate-income households that are already being assisted through other units.

Developing a minimum of 400 units per year of affordable age-restricted rental housing over the next five years (from 2015 to 2020 – a total of 2,000 units) would result in a market penetration rate of the age and income-qualified 55+ household group of 0.3%, increasing to 0.9% by 2020. The age and income-qualified market for affordable age-restricted housing is projected to increase by 47% between 2014 and 2020.

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<sup>2</sup> MN Housing, Profile of Older Minnesotans, 2012.