

## **Affordable Housing Study Reports**

### **8. Senior Housing**

#### **Demographics**

Aging of Massachusetts baby boomers will produce a considerably older state during coming years. The percentage of adults 65 and over is expected to jump from 13.5% in 1999 to over 20% in 2030, according to U.S. Census projections. It is anticipated that the over-65 population will rise 70% to 1,463,110 and the over-85 population will grow 82% to 211,939 while the state population increases only 11% to 7,012,009.

Elder renters and, increasingly, elder homeowners show housing affordability problems. In 1999, almost 172,000 Massachusetts households over age 62 with incomes at or below 80% of median paid more than 30% of their incomes for housing. This included 79,000 renters (43% of all elder renters) and 93,000 homeowners (24% of all elder homeowners).

The high percentage of seniors living alone and the high senior homeownership rate also influence senior housing needs. At the time of the 2000 census, almost 30% of the state 65+ population lived alone. Among 65+ households, 68% owned their own homes. These factors, augmented by lengthening life expectancies, foretell growing demand for support services and accessible or adaptive housing.

#### **Aging in Place and Support Services**

AARP surveys repeatedly indicate a strong preference among seniors to remain at home and age in place. "Housing America's Seniors," a report by the Joint Center for Housing Studies, points out that 90% of people age 70 and over live in conventionally-designed homes lacking structural modifications, such as grab bars and ramps, to ease daily functioning. The report also cites increasing need for support services as new medications and medical devices enable more seniors to avoid institutional living.

Massachusetts-funded home care and support services are administered by 27 nonprofit corporations (Aging Services Access Points or ASAPs) under contract to the Executive Office of Elder Affairs. ASAPs provide information, develop service plans for home management, personal care and nursing care, and coordinate services. The state adult foster care program pays families who provide room and board and personal care for Medicaid-eligible elders who can no longer live alone.

The Supportive Senior Housing Program operates in state elderly public housing developments and offers services including case management, daily meals, medication reminders, homemaking and personal care. The program is available to almost 3,000 households in 22 developments (expected to soon expand to 30).

Naturally Occurring Retirement Communities (NORCs) is a term often used to describe apartment buildings or housing complexes where residents have aged in place and the majority are over age 60. One service model links NORCs with health and social service agencies that provide senior services and activities chosen by the senior residents themselves. Pilot NORC programs have been set up with federal funds by the Jewish Family & Children's Service at sites in Brookline, Malden, and Swampscott. Beacon Hill Village is a more dispersed kind of NORC comprising 380 residents who live in their own apartments in and near Beacon Hill. Private funding and membership fees fund supportive services.

## **Senior Homeowners**

**Property taxes and tax deferral.** Low-income senior homeowners, even those with no mortgages, often have difficulty coping with escalating property taxes. Tax relief measures include the senior property tax exemption of \$500 (up to \$1,000 at local option), the senior “work-off” program that reduces up to \$750 of the tax bill for community service, and the property tax deferral program that allows postponement of property taxes with an 8% simple interest charge until the house is sold. The “circuit-breaker” program provides additional help through a state income tax credit up to \$840 for homeowners whose property tax and water/sewer bills exceed 10% of their income. (Elderly renters qualify if 25% of their rent exceeds 10% of their income.) Seniors who pay no state taxes receive cash. The “circuit breaker” program provides more tax relief for more seniors than the other programs combined.

Low utilization of tax deferral is generally attributed to the 8% interest rate and reluctance of seniors to pass debt on to their heirs. In an effort to boost utilization, the legislature in 2005 gave cities and towns the option to lower the interest rate on deferred taxes to as low as 0%. Over the prior 10 years, only about 1,200 seniors annually had deferred property taxes. Encouraging adoption of a lower interest rate through local option could potentially help low-income senior homeowners.

**Accessory apartments and reverse mortgages.** Accessory apartments can provide additional income for older homeowners who want to remain in their houses. But restrictive zoning ordinances and difficulties owners face during the conversion process have limited use of this alternative. Newton is now utilizing Community Preservation Act funds for a pilot program which subsidizes creation of affordable accessory apartments and provides procedural assistance to homeowners by a local nonprofit.

Reverse mortgages are designed to help “house-rich, cash-poor” senior homeowners whose low incomes rule out ordinary home equity loans. Reverse mortgages can provide lump sums or monthly payments or a combination of the two. Repayment isn’t due until the end of the loan term or when the homeowners dies or moves. Initial mortgage costs can be very high for reverse mortgages insured by the U.S. Department of Housing and Urban Development (HUD). These are complex loans that require counseling by independent nonprofits, such as Homeowner Options for Massachusetts Elders.

## **Senior Public Housing**

**State public housing.** The state Chapter 667 program funds public housing for elderly (age 60+) and non-elderly disabled households. About 28,000 of the 32,310 units are reserved for elderly households with incomes at or below 80% of the median income. About 700 are congregate units for elders with supportive service needs. Residents pay 30% of their income for rent. The housing is managed by local housing authorities, which issue applications and maintain waiting lists. The state Department of Housing and Community Development (DHCD) provides subsidy funds for operating costs not covered by tenant rents.

Most Chapter 667 housing was constructed between 1960 and 1985. Only 168 new units were built between 1993 and 2003. Some of the older developments have experienced high vacancy rates due to small, outmoded units and limited accessibility. Additional state funding is needed for modernization and upgrading.

**Federal public housing.** About 15,000 federal public housing units in the state are designated for elderly (age 62+) and non-elderly disabled households. HUD funds service coordinators at some of the elderly developments.

### **Federally-Assisted Private Elderly Housing**

**Section 202 Supportive Housing for the Elderly.** The Section 202 program began in 1959 and is the only federally-funded housing program designed specifically for elderly. It provides grants to nonprofits to develop rental housing for tenants with incomes below 50% of median. New projects since 1992 have been limited to frail elders and must include supportive services. Massachusetts has about 10,100 units of Section 202 housing for the elderly and/or disabled. In 2005, new Section 202 awards in the state had fallen to 150 units with further cuts proposed.

**Sections 236 and 221d3 and Section 8 project-based rent subsidy.** About 70,000 private housing units in the state were built between the mid-1960s and the early 1980s utilizing HUD mortgage interest subsidies (Sections 236 and 221d3 programs) or Section 8 project-based rent subsidies. Some of these developments are partially or fully designated for the elderly. Continued affordability of many units is threatened by expiration of Section 8 subsidy contracts or by mortgage prepayment or expiration and conversion to market housing.

### **Other Age-Restricted Housing Options**

**Age-restricted active adult housing.** Active adult housing typically targets healthy, financially-secure adults 55 and over. Since 2000, this housing type has proliferated in Massachusetts, supported by favorable zoning and fiscal concerns. Municipalities support these developments as a source of property tax revenue unencumbered by school costs. By 2003, there were 150 active adult developments with 10,000 housing units, existing or under construction. Another 14,000 units in 109 developments were planned, proposed, or in the permitting process. Most developments are located in eastern or central Massachusetts.

Increasingly, the comprehensive permit provisions of Chapter 40B are being used for age-restrictive active adult housing. In 2004, about 18% of ownership projects in the 40B pipeline were age-restricted. Asset criteria for purchasers or renters of affordable units vary by supporting government program. Many long-term homeowners in eastern Massachusetts exceed asset limits, and it has sometimes been difficult to find qualified purchasers for the age-restricted affordable units.

**Congregate housing.** This housing type offers living arrangements in which seniors have private bedrooms and share common space. Support services are usually available. Most congregate housing is sponsored by local housing authorities or nonprofit organizations.

**Assisted living.** These residences are designed for seniors who require some help in the activities of daily living but do not require skilled nursing and medical care. Available services usually include three meals a day, housekeeping, transportation, emergency call systems, medication management, and laundry. Most assisted living residents are in their mid-80s.

There are currently 189 certified assisted living residences in Massachusetts with 11,736 units. Since 2000, about two or three new residences have opened each year. Assisted living costs vary by residence and depend on apartment size and amount of services. Monthly fees range from several thousand dollars to more than \$6,000 for residents with memory impairment.

MassHousing and MassDevelopment offer financing for affordable assisted living. Between 2000 and 2004, 600 affordable units were produced with their financing, and several hundred units were developed under the Low Income Housing tax credit program of the Department of Housing and Community Development. The Group Adult Foster Care (GAFC) program of MassHealth, the state Medicaid program, subsidizes the service component of assisted living costs. The Supplemental Security Income Living Arrangement G (SSIG) program, a joint federal and state program, can be applied to room and board costs. Medicare does not cover assisted living, but some long-term care insurance policies offer limited coverage.

**Continuing care retirement communities.** CCRC developments generally offer independent living apartments, assisted living services and nursing home care all in one location. Seniors can meet their changing needs without moving. In 2005, the Executive Office of Elder Affairs listed 24 CCRCs in the state.

CCRCs vary by method of payment for nursing home care. So-called “life care communities” charge entry and monthly maintenance fees which cover all housing and nursing facility costs. Other CCRCs require a resident contribution to the cost of nursing home care. The CCRC may pay for a specified number of annual days, may guarantee care at a specified rate, or may guarantee only access to its nursing facility. Other CCRCs require residents to purchase long-term care insurance for nursing home costs.

**Nursing homes.** In 2005, Massachusetts nursing homes cared for nearly 46,000 people. This included long-term care for frail elders, chronically ill and disabled individuals and short-term care for people who need rehabilitation after hospitalization. Medicaid coverage through MassHealth is available for seniors who meet financial and clinical eligibility requirements. MassHealth pays the difference between the individual’s income (minus a \$60 monthly personal needs allowance) and the daily Medicaid nursing facility rate.

**“Equal Choice” law.** Under this 2006 law, seniors and the disabled eligible for long-term care under MassHealth will have an “equal choice” of care at home or care in a nursing home. The new law focuses on care “in the least restrictive setting appropriate” to an individual’s needs and shifts emphasis from institutional care to individual care at home. About 75% of MassHealth funding for long-term care now goes to nursing homes. The “equal choice” law is expected to save the state \$134 million in the program’s first five years. Through a new pre-admission counseling program, everyone about to enter a nursing home – private-paying or seeking MassHealth support – will be able to first explore community options.

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