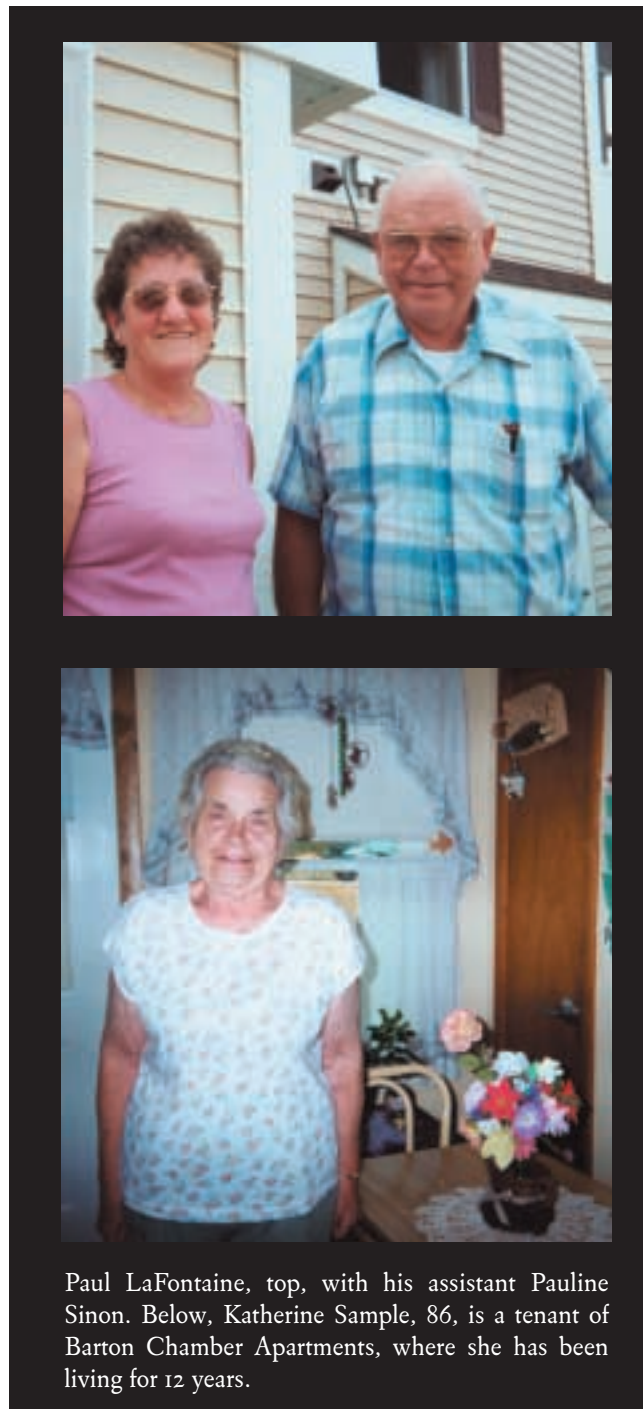


New England's Share of a Quiet Crisis

By George Samuels, Federal Reserve Bank of Boston

On a warm September day in the small village of Barton, Vermont, the phone rings in Paul LaFontaine's office. It's a caller from Florida, inquiring about whether any apartments are available for rent. Unfortunately, none are. LaFontaine, 73, is manager of Barton Chamber Apartments, one of the largest providers of subsidized housing for seniors in northern New England's rural areas. He laments the 50-person waiting list for the 47-unit complex, and says, "If I could do it again, I would have built one of those skyscrapers like you see in the city."

The shortage of affordable housing, evident in northern Vermont and elsewhere in the nation, is nothing new. But the urgency of affordable rental housing for seniors, those 65 years and older, moved to center stage with the June 2002 release to the U.S. Congress of a report entitled "A Quiet Crisis in America." Produced by the bipartisan Commis-



Paul LaFontaine, top, with his assistant Pauline Sinon. Below, Katherine Sample, 86, is a tenant of Barton Chamber Apartments, where she has been living for 12 years.

sion on Affordable Housing and Health Facility Needs in the 21st Century (the "Seniors Commission"), the report finds that many seniors not only face a dire affordable rental housing situation, but also often lack the health and support services they need as they age.

While many recommendations in the report were developed by the entire Seniors Commission, six of

minority reports are available at www.seniorscommission.gov.)

Senior Affordable Housing Needs

Roughly 20 percent of seniors are renters. They face many of the same issues as working families and others who try to access affordable rental housing, but their situation can be more severe. Many seniors have physical needs that require special

Seniors, a report by Robert Schafer of Harvard University's Joint Center for Housing Studies, over one-half of all senior renters spend more than 30 percent of their incomes on housing costs. A 1999 study by AARP found that the median income of senior renters was \$12,608, while their median annual housing costs were \$5,772. The cost burden issue is especially significant for seniors because many live on modest fixed

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thirteen commissioners signed a minority report calling for a more aggressive targeting of federal resources and programs to the neediest seniors. As Ellen Feingold, co-chair of the commission and a signer of the minority report, says, "We agree with much of the material in the majority report, but wanted to stress what we found to be the most desperate need, and that was a shortage of housing and support services for low- and moderate-income elderly." In many cases, lower-income seniors are unable to pay for decent housing or support services, and go without them. In light of the "Quiet Crisis" findings, this article takes a closer look at affordable rental housing for seniors in New England. (The majority and

housing modifications (such as bathroom grab bars or ground-level living) or easy access to healthcare and support-service networks. Andrew Kochera, researcher at AARP's Public Policy Institute, notes, "Demand is outpacing the supply of affordable and physically accessible elderly rental housing. Through our studies we have found that oftentimes conventional architecture does not meet the needs of older persons. As the elderly age, their needs evolve. Our spaces must take into account their changing needs."

Further, many senior renters face serious cost burdens, ruling out care-coordinated housing such as assisted living, which is designed for aging in place. According to *Housing America's*

incomes. As housing prices continue to rise, the number of seniors with housing cost burdens can be expected to grow.

State of the Current Stock

Nationwide, there are an estimated 1.7 million units of subsidized rental housing for seniors. According to the Council for Large Public Housing Agencies, the largest population of seniors in such housing, nearly one million, live in public housing. Close to 70 percent of this group live in public housing units that are 30 to 50 years old, and many units need modernization. Public housing authorities in some of New England's cities report lengthy waiting lists and long average waiting times for units. (See table below.)

Senior Public Housing Units and Waiting Lists Selected New England Cities

HOUSING AUTHORITY CITY, STATE	NUMBER OF SENIOR UNITS	NUMBER ON WAITING LIST	AVERAGE WAIT (MONTHS)
Boston Housing Authority Boston, MA	3,820	1,970	18
Manchester Housing Authority Manchester, NH	876	600	12-18
Providence Housing Authority Providence, RI	398	96	6-8
Burlington Housing Authority Burlington, VT	209	98	6-9

Source: Data gathered from phone conversations with public housing authority occupancy staff in September 2002. Public housing authorities keep their own statistics on waiting lists and average wait time. Seniors in public housing include those aged 62 and above; some counts above include disabled persons below age 62.

Other subsidized rental housing programs also show long waiting lists. For example, a 1999 survey by AARP found that there were nine applicants for every unit of Section

of lost units, including the 1999 Mark-Up-To-Market program. This program subsidizes tenant rents up to the market-rate level, as long as owners agree to extend their current

many years, complained for months about having nowhere to go. City and HUD officials worked out an eight-year contract extension to keep close to 85 percent of the units

down. For example, production in the Section 202 program decreased from nearly 14,000 units in 1981 to about 7,000 units in 2001. Fiscal year 2002 shows a further decline, to less than 6,000 units.

Over the next two decades, as the U.S. senior population balloons, the need for affordable senior housing is likely to increase. By the year 2025, the number of seniors is projected to grow by more than 80 percent, whereas the entire U.S. population should increase by only 20 percent. According to the 2000 Census, 35 million, or one in eight residents is a senior, and in New England the proportion is one in seven. By 2025, over 62 million, or one in five residents nationwide and in New England will be a senior. (See table on page 12.)

This extraordinary expansion is fueled by the aging baby-boomer generation and longer lifespans. Data from the Center for Disease Control's National Center of Health Statistics show that someone who is currently 65 years old can expect to live for another 18 years.

Building Affordable Senior Rental Housing

The Seniors Commission report estimates that by 2020, an additional 730,000 subsidized rental units will be required to house the burgeoning senior population. The minority report, claiming that this figure only maintains the status quo, calls for the development of 60,000 units per year, or 1,080,000 units by 2020. Meeting this goal would require a major increase in federal funding in programs such as Section 202, which remains the main tool for developing affordable senior rental housing. Despite this, the current administration's proposed 2003 budget shows a decrease in funding for this program.

In recent years, mixed financing — combining funds from different housing development programs — has been the primary vehicle for developing all kinds of affordable housing. Yet technical rules in the Section 202 program prevent non-profit developers from combining 202 funds with other federal funding resources. For example, the Section 202 program currently provides development grants solely to non-profit sponsors of senior housing. This arrangement makes it difficult to mix Section 202 funds with equi-

“If we cannot preserve what we have, we will never be able to meet the need.”

202 housing (the federal government's principal subsidized housing program for seniors, see resources section on pages 12 and 13) that became available. Says Kochera, whose department funded the survey, “Vacancy rates for these programs are very tight — significantly lower than rates for market housing. This is key because waiting time is important, as elderly needs may change during the wait.”

Need Will Increase

Waiting lists may get longer, as a large portion of the current public stock is in disrepair and at risk of being converted to market-rate housing. Moreover, production levels of new housing have fallen, mainly because federal funding has decreased. And finally, the senior population is expected to surge in the next two decades.

Thousands of subsidized units for seniors are in jeopardy of being converted to market-rate housing. Much of this housing was created in the 1960s and 1970s using 40-year contracts between the federal government and property owners. Under these contracts, owners can prepay their mortgages before the contract is up, or can “opt-out” of the agreement once the contract expires. With market prices climbing across the country, many owners are deciding to convert their affordable developments to market-rate housing. As Feingold notes, “The preservation issue is the most important. If we cannot preserve what we have, we will never be able to meet the need.” In New England, some 1,067 rental units of subsidized senior housing have been lost in recent years, and over 30,000 units are at risk. (See table at right.)

To mitigate the situation, the Department of Housing and Urban Development (HUD) has designed a number of programs to stem the flow

Section 8 contracts for at least five years. Unlike previous Section 8 contracts, owners can keep all the surplus cash flow from the properties, giving them further incentive to keep properties affordable. It is unclear how many total units have been saved under Mark-Up-To-Market, but with owners able to receive payments comparable to market rents, more owners may choose to participate.

Collaboration is crucial in making such stopgap measures work, as an example from Boston's Jamaica Plain neighborhood illustrates. In September 2002, City of Boston and HUD officials negotiated a deal with the owner of the Forestvale Apartments in Jamaica Plain to keep units affordable. The owner's Section 8 contract was expiring, and he was planning to “opt-out” and raise rents. Tenants, especially older ones who had lived at Forestvale for

affordable. The agreement also included higher rent subsidies for the owner.

Production of new housing for low- and moderate-income seniors is dependent on funding from the federal government, through programs administered by the Department of Agriculture and the Department of Housing and Urban Development. While the Department of Agriculture's housing program budget has remained relatively stable over the past two decades, HUD's budget for housing subsidies has decreased substantially in real dollar terms. According to a 2000 *Housing Policy Debate* study by Peter Drier of Occidental College, HUD's housing subsidy budget fell 83 percent from 1978 to 1997, from \$72 billion to \$12 billion, using 1997 constant dollars.

Likewise, production levels in senior housing development programs are

Subsidized Senior Rental Housing Units Lost, At-Risk, and Current Totals

STATE	LOST	AT-RISK	CURRENT TOTALS
Connecticut	209	5,938	15,536
Maine	232	822	5,909
Massachusetts	342	21,648	37,616
New Hampshire	284	956	4,655
Rhode Island	0	1,384	12,022
Vermont	0	228	2,458
New England	1,067	30,976	78,196
United States	11,204	324,001	711,829

Source: National Housing Trust (2002) report prepared for the Seniors Commission. This report can be found at www.seniorscommission.gov.

A Model Development with Just One Problem

Developments of Jewish Community Housing for the Elderly (JCHE) provide seniors with the opportunity to age in place, in an environment where they can access health and support services. As Ellen Feingold, president of JCHE and also of the Seniors Commission, notes, “Growing older does not have to mean growing more sedentary. Our buildings are full of life.”

In total, JCHE owns and manages five senior developments in Massachusetts, three located in Brighton, and two in Newton. The developments house some 1,300 tenants, with an average income of less than \$10,000. Tenants are aged 62 and above, with an average age of 80. Tenants benefit from numerous on-site amenities and support services that assist with housekeeping, meals, transportation, and fitness. Tenants also are fortunate that JCHE has links with local nonprofits that provide further support services on a daily basis.

The developments were built over the past three decades, with financing from several federal and state sources including Section 202 and the Massachusetts Housing Finance Agency. JCHE has received numerous awards for its senior housing programs, and was recently recognized by the American Association of Homes and Services for the Aging.

The problem? There is a tremendous need for more of this kind of housing. Feingold wants to develop more, and says that her organization is currently looking for a site to build another development. Open locations in the Boston area, however, are scarce and expensive. The other option, renovating an existing building into senior housing, can also be costly because of code requirements. In the meantime, the waiting list continues to grow. Over 1,800 people are currently waiting for JHCE housing, with an average wait of two to six years.

ty from the Low-Income Housing Tax Credit (LIHTC) program, as tax credit deals require a for-profit owner that can use the credits to offset tax liability.

Fortunately, mixing Section 202 and LIHTC funds will soon be possible. Under the American Homeownership Act of 2000, limited partnerships that have a nonprofit sponsor as their sole general partner became eligible for ownership of Section 202 properties. As a result, Section 202 sponsors can benefit from LIHTC equity because the other partners in the limited partnership can use the credits. Proposed rules for mixed financing under the Section 202 program were scheduled for release in September 2002 and, as of this writing, are expected soon.

Coordinating Services

In addition to advocating for greater production and preservation, the Seniors Commission urges coordination of housing, health, and support services in government-subsidized elderly housing programs. Under the current system, housing services and health and support services are provided by separate federal departments. These departments use their own eligibility standards, with the result that some tenants of senior subsidized housing are not receiving health or support services. As Kochera notes, “We found that the issue of coordinated housing and support services was key. . . . There's not a lot of linkage at the federal level.”

To counter this, many managers of subsidized housing for seniors foster

Senior Population Figures Current and Projected

STATE	YEAR 2000			YEAR 2025		
	TOTAL POP.	SENIOR POP.	PERCENT SENIOR	TOTAL POP.	SENIOR POP.	PERCENT SENIOR
Connecticut	3,405,565	469,287	14	3,739,000	671,000	18
Maine	1,274,923	183,642	14	1,423,000	304,000	21
Massachusetts	6,349,097	859,601	14	6,902,000	1,252,000	18
New Hampshire	1,235,786	148,039	12	1,439,000	273,000	19
Rhode Island	1,048,319	152,719	15	1,141,000	214,000	19
Vermont	608,827	77,295	13	678,000	138,000	20
New England	13,922,517	1,890,583	14	15,322,000	2,852,000	19
United States	281,421,906	34,991,753	12	337,815,000	62,641,000	19

Source: U.S. Census

collaborations, where possible, with outside, often nearby organizations to provide support services. While this improvised solution can work and is relatively low cost, the lack of linkages in rural areas is problematic. In particular, rural areas often do not have support service networks in their vicinity, nor the transportation resources to get to them. Such is the case in Barton, Vermont, at the development managed by Paul LaFontaine.

The average annual income for tenants of Barton Chamber Apartments is under \$11,000, and many receive rental subsidies. While some of these tenants have arrangements with outside providers for meal service, as

a whole, the residents lack transportation and personal-care services. The village of Barton (population 1,400) provides emergency services, but to visit their doctors, many tenants must take a cab to the hospital 15 miles away. Tenants also make a five- to ten-minute walk to do their shopping and other chores. For LaFontaine, health and safety concerns raised by such a situation are even more pressing because the average tenant in his development is 80 years old.

LaFontaine is pleased that his tenants enjoy their apartments, but he is concerned that increasing demand for units and services will require

more action on the part of the community and, ultimately, more support from state and federal programs. His message, which echoes the findings of the Seniors Commission, deserves attention. The Seniors Commission warns of an impending crisis in housing and caring for our nation's seniors, but it's possible the crisis will prove to be less overwhelming if we start to address the problem now. ~

George Samuels is a community affairs supervisor with the Federal Reserve Bank of Boston.

Federal Resources, continued

ients. In its current form, tenants use vouchers to secure housing on the private market. The federal government pays the difference between 30 percent of the tenant's income and the fair market rent, a standard based on the rent for comparable units in the geographic area.

Total vouchers: 1,420,000

Senior vouchers: 213,000

Low-Income Housing Tax Credit

Enacted under the Tax Reform Act of 1986, the Low-Income Housing Tax Credit (LIHTC) program is currently the premier vehicle for building low-income housing. The LIHTC program is funded through the Internal Revenue Service and is administered by state housing agencies. Investors provide equity to a project by purchasing credits from the developer that they can use to offset their tax liability.

Production peaked in 1989 at about 130,000 units and is now under 60,000 units a year. According to the National Low Income Housing Coalition, however, the dollar volume of housing credits has increased by 40 percent over the past two years. Credit allocation is based on state population, with each state now receiving \$1.75 per capita in housing credit allocation each year, up from \$1.25 per capita. Credit amounts will be indexed for inflation starting in 2003. For equity distribution among states, small states now receive a minimum annual allocation of \$2 million.

Total Units:* 433,427

Senior Units:* 108,357

* The numbers above are for units produced using LIHTC subsidies without other federal subsidies. An additional 290,000 LIHTC units are subsidized through Section 8 or Section 515. Around 72,000 of these are occupied by seniors.

HOME Investment Partnership Program

Begun under the Cranston-Gonzalez National Affordable Housing Act of 1990, the HOME Investment Partnership Program is a federally funded block grant program for the development of affordable housing. Funds are distributed to state and local jurisdictions and can be used for rental assistance and homeownership opportunities. Participating jurisdictions are required to provide at least 25 percent in matching funds.

Total Units: 125,100

Senior Units: 20,016

Community Development Block Grants

Started in 1974, the Community Development Block Grant program provides grants to state and local governments to support an array of community and economic development activities. Funds are used to improve neighborhood facilities and revitalize areas; they can be used for senior housing, senior centers, and support services such as transportation.

Government Sponsored Enterprises

Government Sponsored Enterprises – Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (FHLB) – can be useful sources for financing development of affordable senior housing. Since 1989, the Federal Home Loan Banks have been required to dedicate 10 percent of their annual net income to the Affordable Housing Program. The

AHP was enacted by Congress, and awards funds on a competitive basis to affordable housing projects that are sponsored by FHLB-member institutions working with community-based nonprofit partners. According to the National Low Income Housing Coalition, the FHLBs have leveraged nearly \$22 billion in affordable housing investments, creating close to 313,000 affordable housing units.

Since 1992, both Fannie Mae and Freddie Mac have had annual affordable housing goals that are established, monitored, and enforced by HUD. According to the Seniors Commission, Fannie and Freddie have provided commitments on affordable housing projects, but mainly those using the Low Income Housing Tax Credit. Fannie has also been a significant purchaser of tax credits.

State and Local Resources

Affordable Housing Trust Funds

One noteworthy state and local program is the affordable housing trust fund. Many cities, counties, and states form housing trust funds by dedicating public funds to support the production and preservation of affordable housing. According to the National Low Income Housing Coalition, there are close to 257 housing trust funds in the United States. Thirty-six states have created these funds, the remainder have been set up by cities and counties. NLIHC estimates that housing trust funds spend more than \$500 million on affordable housing annually, and have, on average, leveraged an additional \$2.5 billion to \$5 billion in public and private capital.

Multifamily Housing Bonds

State and local governments sell tax-exempt Multifamily Housing Bonds to finance the construction of low-income housing. Investors buy these low-interest rate bonds because income from them is tax-free. The federal government caps the amount of bonds that can be issued by each state. Currently, the cap is \$75 per capita, with a \$225 million minimum per state.

Multifamily Housing Bonds have provided financing to produce more than 750,000 apartments affordable to lower-income families. It is not clear how many of these units are occupied by seniors. Multifamily Housing Bonds are a part of the Mortgage Revenue Bond Program. The cap for each state also includes bonds for financing single-family homes for first-time homebuyers. Nearly 2.3 million families have become homeowners under the program.

In the Count

Additional units are not being added to the stock listed below because the programs have been discontinued. However, some rehabilitation and replacement is ongoing; renovation and preservation are issues with these units.

Federal Housing Program	Senior Units
Public Housing	358,400
Section 8 (project-based)	343,673
Section 221	21,437
Section 236	146,053

Selected Resources for Financing Affordable Senior Housing

Federal Resources

Section 202

Enacted under the 1959 National Housing Act, Section 202 Supportive Housing for the Elderly is the only federally funded housing program that targets older persons. Currently, the program provides capital grants to nonprofit developers for the construction of units for seniors. Production levels peaked in the early 1980s at about 14,000 units per year. For fiscal year 2003, there is enough funding for nearly 6,000 new units.

Total Units: 319,502

Senior Units: 319,502

Section 515

Administered by the Rural Housing Service of the U.S. Department of Agriculture, Section 515 is a below-market interest rate loan program that provides financing to developers for the construction of low-income housing in rural areas. Section 515 is still in operation, but funding for the production of units has decreased in recent years. Total Units: 453,275

Senior Units: 190,829

Section 8, Tenant-Based Rental Assistance

Enacted in 1974, this program provides rent subsidies to property owners who provide housing to Section 8 recip-

Note: Housing units cited above are national figures and are from a 2002 report entitled, "A Summary of Federal Rental Housing Programs." Visit http://research.aarp.org/il/fs85_housing.html for a copy of the report.