5. IMPLICATIONS FOR HOUSING

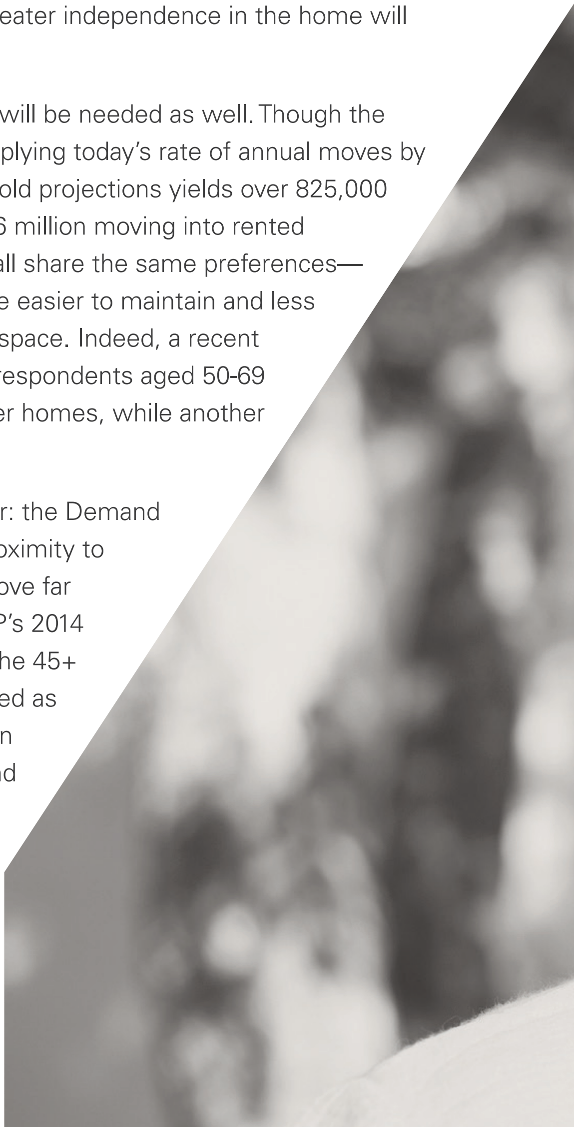
By 2035 there will be nearly 50 million households aged 65 and above, an increase of nearly 20 million households in two decades. This growth will fundamentally reshape the scale and scope of housing need in communities across the US, presenting both opportunities and challenges for the public and private sector, and for older adults themselves.

INVESTMENT IN HOUSING

The growth in the number of older households offers significant opportunities for the private sector to provide the new and modified housing this group will need by 2035. While a large share of older adults intend to age in place, their existing housing is often not well suited to accommodate their needs. By 2035, the already pressing need for home modifications and technology that can enhance safety and allow for greater independence in the home will grow substantially.

Given the scale of household growth, new housing will be needed as well. Though the share of older adults who move each year is low, applying today's rate of annual moves by tenure, race, and 5-year age bands to JCHS household projections yields over 825,000 older households moving into owned homes and 1.6 million moving into rented homes each year as of 2035. These movers do not all share the same preferences—some may be looking to downsize to homes that are easier to maintain and less expensive; however, some will be looking for more space. Indeed, a recent Demand Institute survey shows that 42 percent of respondents aged 50-69 who intend to move in the future will look for smaller homes, while another 32 percent seek to upsize.

Preferences to be near family and friends are clearer: the Demand Institute finds that likely movers place priority on proximity to family and friends, and most expect they will not move far from their current neighborhood.[1] Meanwhile, AARP's 2014 survey of Housing and Community Preferences of the 45+ Population found that being near family/friends ranked as the most important community characteristic.[2] Given this priority on remaining near family and friends, and given that less than a quarter of older adults live in high-density areas, demand is likely to increase



for new housing options located within existing suburbs and rural communities. Locating new, accessible housing in town centers or villages will allow older residents to live within walking distance of services and more fully engage with their existing communities.

The Demand Institute's survey finds that only one in five likely movers desire to move to senior-related housing or active-adult communities. Yet even if 2.5 million older households move per year in 2035, demand for various forms of age-restricted housing could reach 500,000 units per year. Meanwhile, nursing facilities will remain an important option, though trends in health and increasing options for care in the home make need for additional beds in skilled nursing facilities difficult to predict.

To encourage private investment in new housing, local governments may need to adjust zoning laws to allow the types of housing older adults will seek, particularly in suburbs zoned primarily for detached single-family homes. Accessible apartments located in downtown centers and cohousing situations can allow people to remain in their communities with greater convenience and sense of community; accessory dwelling units—attached or detached units located on the same grounds as another home—are another important housing option for older adults. Educating citizens about housing models for aging in their community may help spark changes to local regulations that support greater innovation.

AFFORDABILITY CHALLENGES

Housing affordability is a critical concern for millions of Americans even before retirement, but since incomes fall after retirement, rates of housing cost burdens are higher at older ages. Housing cost-burdened households will have fewer resources left over for necessities including food, transportation, and healthcare, as well as for the assistance and supports needed for them to age in their homes. Indeed, some older adults may move in with children or roommates in order to cut housing costs. Looking ahead to 2035, nearly 17.1 million older households will face housing cost burdens, an increase of more than 7 million from today.

Since roughly four in five households aged 65 and over own their homes, many more older homeowners will be cost-burdened than their renter counterparts. Homeowners with mortgages are over two-and-a-half times more likely to face burdens than those who own their homes outright. Trends dating to the early 1990s show higher shares of older owners entering retirement with mortgages, with the value of that debt rising as well. This trend bears watching, as even a small growth in debt combined with the sheer numbers entering older age groups will mean a significant increase in older owners vulnerable to housing cost burdens.

There are a variety of ways to offer cost-burdened owners relief from high housing costs, though the scale of need going forward suggests these should likely be expanded or used as models for new programs. States and localities may offer property tax relief for those of qualifying incomes and ages. Utility costs might be lessened through the installation of higher efficiency heating and cooling systems, solar panels, and weatherization programs, with tax incentives and grants helping owners to make the initial investment when costs are otherwise prohibitive. For those with mortgages they cannot afford but who still have substantial equity in their homes, reverse mortgages may make aging in place a more financially feasible option. Perhaps the most important form of assistance will be educational programs aimed at teaching adults in pre-retirement years how to avoid cost burdens in retirement, either by prioritizing the reduction of mortgage debt during their working years or by moving to more affordable housing at an earlier age.

Although maintenance costs are not factored into calculations of housing cost burdens, they can pose significant challenges to owners of modest wealth; the replacement of a major system (e.g. heating) might have to be paid for out of savings also needed to fund long-term care. Home equity lines of credit may allow some owners to make needed major repairs, while low-cost loans or grants for home repair can also help.

Meanwhile, renters comprise a smaller group than owners but face higher risk of housing cost burdens due to lower incomes. Federal housing assistance to low-income older owners comes mainly in the form of public housing, unit-based assistance, housing choice vouchers, and Section 202 units that provide housing with supportive services to those aged 62 and over. Yet since housing assistance is not an entitlement, it is not available to all who qualify. As of 2013, HUD reported that 1.4 million, or only 36 percent, of the 4 million very low-income households aged 62 and over received subsidies; the rest must find affordable housing on the open market, which can mean housing cost burdens, cutting back on other necessities, doubling up, or occupying substandard housing.

Assuming income distributions remain the same as today, JCHS projections estimate that 7.6 million older adults with incomes below 50 percent of the area median would qualify for federal rental subsidies in 2035. Just continuing to serve one-third of this number would require subsidies for another 1.3 million households, and would still leave 4.9 million eligible older households without assistance. Addressing this shortfall, and avoiding the dire effects of unaffordability on millions of older households, will be a major public policy challenge. Incentives for landlords to make money-saving improvements in both the assisted and private stock, such as through investments in energy efficiency, could help reduce housing costs. Lower-cost non-traditional rental housing, such as accessory dwelling units or micro-units that offer shared common spaces at lower costs than traditional apartments, might also help fill gaps.

Aside from more subsidies for older renters, building new affordable housing, including housing with services, could help serve the growing number of older cost-burdened and very low-income renters. A significant past source of funds was HUD's Section 202 program, but this no longer provides capital grants to fund new units. New construction through the Low-Income Housing Tax Credit Program can be targeted toward older adults, but at best could make only a small dent in the need for affordable housing.

IMPLICATIONS FOR ACCESSIBLE HOUSING

The rise in disabilities that occurs with age presents another housing challenge for older adults, particularly because so many wish to age in their current locations. However, most US homes are poorly equipped to accommodate the extra space needed for walkers or wheelchairs, require stairs to a bath or bedroom, or have handles on doors and faucets difficult for those with arthritis. By 2035, 17 million older adult households will have at least one person with a mobility disability, for whom stairs, narrow corridors and doorways, and traditional bathroom layouts will pose challenges to safety and independence. As a result, there will be an increased need for modifications to the existing housing stock, and new stock will need to be built with higher standards of accessibility for future occupants.

Individuals may resist modifying their homes if they do not have disabilities, and many owners in particular may be ambivalent about investing in their current homes if they are not sure they will remain there into old age. However, given that disability rates rise strikingly in old age, planning ahead can make eventual changes easier. For example, adding accessibility features during a remodel, such as a walk-in shower or bathroom walls reinforced for the possible future installation of grab-bars, can save time and money later. Consumer, contractor, and architect education may help open up discussions about accessible housing earlier in people's lives. The National Association of Home Builders' Certified Aging-in-Place Specialist program, which teaches building industry professionals how to make their clients' homes more "visitable," is one existing example of such an educational program.[3]

The majority of older owners have sufficient savings and wealth that they will likely be able to tap into to pay for home modifications. Excluding home equity, slightly more than half of owners aged 65 and over have at least $100,000 in financial reserves; including home equity, the share rises to 80 percent. However, almost 2 million older owners nationwide are in a precarious financial situation, with income less than $15,000 per year and total non-housing wealth less than $50,000. These older owners with very limited financial resources may be reluctant to tap what they do have for home modifications given other needs. To address these gaps, some of the same resources that might be used to pay for major repairs in the home, such as home equity lines of credit (HELOCs) or reverse mortgages, could be helpful to the qualified homeowner. For lower-income owners with disabilities, some states now allow Medicaid funds to be put toward home modifications needed for them to remain in their homes. These Home and Community Based Waivers can be used for improvements and modifications such as wheelchair ramps, stair lifts, walk-in showers, and widening of doorways. Waivers, however, are not entitlements, and programs may have limited enrollments. The Veterans Administration also provides assistance to some veterans through grants to older owners with service-connected disabilities. At the state level, there are a variety of grants and low-interest loans available, and some local governments provide assistance to homeowners in the form of Community Development Block Grant and HOME funding.

Renters are more likely to have mobility disabilities than owners but have less control over modifying their units. Fair housing law allows tenants with disabilities to make changes inside their unit at their own expense, but under some circumstances permits landlords to require that the modifications be removed upon vacating.[4] Programs to assist or incentivize property owners to install universal design features in remodels and in new construction will be important to ensure that older renters are safely housed.

Building on recent initiatives that seek to bridge health care and housing will be important to addressing the needs of tomorrow's older adults. CAPABLE (Community Aging in Place—Advancing Better Living for Elders), an innovative program housed at the Johns Hopkins School of Nursing and supported in part by the National Institutes of Health and the Centers for Medicare and Medicaid, makes free, tailored home modifications to assist low-income older adults seeking to age in place. A preliminary evaluation found that 79 percent of participants had improved self-care and that, on average, the number of self-care tasks with which participants had difficulty was cut in half.[5] Active in Baltimore, the program is now expanding into three Michigan cities (Detroit, Flint, and Saginaw) as part of a state Medicaid pilot program to help keep nursing home-eligible older adults in the community.

Policies can also help encourage the development of a more accessible housing stock by requiring universal design features in new construction. Many state and local governments have created "visitability" ordinances to incentivize or require universal design features in new homes, with the underlying principle that all homes should be not just habitable but also visitable by someone with a mobility disability. Visitability ordinances often apply only to new single-family construction built with public subsidies, but increasingly, requirements are extending more broadly; in Vermont, for example, the state's accessibility law for residential construction applies to all new developer-built single- and multi-family homes.

SUPPORTS AND CARE IN THE HOME

Many aging in their home will require support with household activities; by 2035, nearly 27 million households aged 65 and over will have at least one person with limitations in running a household. In response, various organizations have developed to provide assistance to older independent households. The "village" concept, for example, provides services and referrals through membership associations of older people living independently. Boston's Beacon Hill Village, the first of this model in the country, offers programs and services to over 400 members with an average age of 75. While villages are fee-based, other organizations aim to bring services to lower-income older adults in naturally occurring retirement communities (NORCs), places such as apartment buildings with large concentrations of older adults. NORC service organizations may provide a range of services from social outings to health clinics.

The 12 million households 65 and over who will have self-care disabilities in 2035 may need more intensive and frequent care, as will those with multiple or more severe household activity limitations. Given the high cost of paid daily care, there is a need for continuing innovation in the funding and delivery of care in the home. Multifamily housing for older adults that offers assistance with self-care (such as assisted living facilities) and increasing funding flexibility allowing insurance to cover long-term care in the home will all help. Another promising model is offered by a Medicare demonstration program, Support and Services at Home (SASH) in Vermont, which coordinates social service agencies, community health providers, and nonprofit housing organizations in support of older adults living at home.

LOCATION AND POTENTIAL FOR ISOLATION

A final challenge relates to the location of housing as it affects older adults' social engagement with their communities and their access to medical and other services. Frail older adults who find it difficult or impossible to leave their homes by themselves are particularly at risk of isolation.

Technology offers potential solutions. The internet makes it possible to bank and shop from home, increasingly even for daily needs such as groceries. Technology in the home can remind older adults to take medicine as scheduled and alert family or doctors if a dosage is missed, while sensors can monitor those living alone for falls. Telehealth can facilitate communication between older adults and trained medical personnel.

All of this technology can help bring services and goods to the home, potentially improving safety, convenience, and quality of life. However, it may also heighten the risk of isolation by keeping older adults more often at home.

Driverless cars and other automobile safety technology, on the other hand, have the potential to help people leave their homes more easily, though in the short term this technology will likely be available only to those with significant financial resources and not to low-income older households. In the meantime, particularly in rural areas, older adults need better alternatives to driving, such as dedicated buses, vans, and paratransit.

MEETING THE CHALLENGES

Significant aging of the older population will occur over the next 20 years. Challenges related to finances will ramp up within the next decade as millions more older adults transition into retirement, as will challenges related to disabilities, the suitability of housing, and the need for long-term care. It is not too early to begin investing in solutions for all of these challenges.

Older adults with sufficient income and savings can help drive private sector investment in new housing options and modifications to existing homes. Tax and regulatory incentives can help unlock this potential. For example, local land use regulations can be eased to allow more innovative development of multifamily housing for older adults. Helping homeowners tap into home equity when other financial resources are not available, through either home equity loans or reverse mortgages, can also support individuals' investments in their existing homes. (This latter strategy, however, should involve a significant commitment to educating homeowners about the safest ways to tap home equity, given that it is the largest source of wealth for most owners and particularly for those with low incomes.)

While these investments in the housing stock can help older adults live more comfortably, safely, and independently, they have societal benefits, too, as aging in a safe and suitable home can reduce health care needs.

At the local level, new housing construction in town centers can enliven those areas and help older adults engage more in the community. And when built according to principles of universal design, the housing stock will be more flexible and suitable for all members of society, not just older adults.

Yet given that over 17 million may face housing cost burdens by 2035, ensuring that all older adults can afford an adequate home in an era that will see millions more with low incomes and high housing costs will require new policies and additional funding to help fund modifications to homes, subsidize rents of very low-income older adults, and enhance transportation and service delivery options. Securing public funding is a challenge, particularly given that the aging society will put increased pressure on Social Security, Medicare, and Medicaid entitlement programs. The most promising investments may therefore be in interventions that provide offset savings in healthcare, such as programs like SASH, CAPABLE, and Medicaid Home and Community Based Waivers. Yet the development and funding of new programs by agencies that have traditionally operated in separate silos still pose significant challenges.

THERE ARE OPPORTUNITIES FOR TOMORROW'S OLDER ADULTS TO ENJOY A HIGHER QUALITY OF LIFE THAN THEIR PREDECESSORS, BUT WE MUST BEGIN TO ACT NOW IF ALL ARE TO SHARE IN THAT PROMISING FUTURE.

Going forward, public and private investments will play a tremendous role in the well-being of the older population, but much rests at the household level as well. While most prefer to age in place—whether in a current home or elsewhere in a non-institutional setting—this preference is best exercised with forethought about costs, the physical suitability of the home, and its accessibility to services. Safe and secure aging-in-place will also require households to make adjustments to the residential setting and supports and services received as they age and their health, financial, and household and family circumstances evolve.

There are opportunities for tomorrow's older adults to enjoy a higher quality of life than their predecessors by taking advantage of new housing forms, innovative interior features, advanced technology, and new healthcare delivery systems. Yet with financial challenges set to mount in the next decade and physical challenges ramping up after that as the baby boomer population moves into their 80s and beyond, we must begin to act now if that promising future is to be shared by all of America's older adults.