

MN  
2030



# Housing

HELPING OLDER MINNESOTANS AGE IN PLACE

MINNESOTA BOARD ON AGING

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## MN2030 – SUPPORTING THE HOUSING NEEDS OF OLDER ADULTS

*The Minnesota Board on Aging (MBA) policy briefs offer an opportunity for stakeholders to learn about and engage in a planning effort to reform our system and to prepare communities and the state to meet the challenges and opportunities associated with an aging population. The housing brief, originally discussed by the MBA in November has updated information and recommendations based on input from stakeholders.*

### Current Status

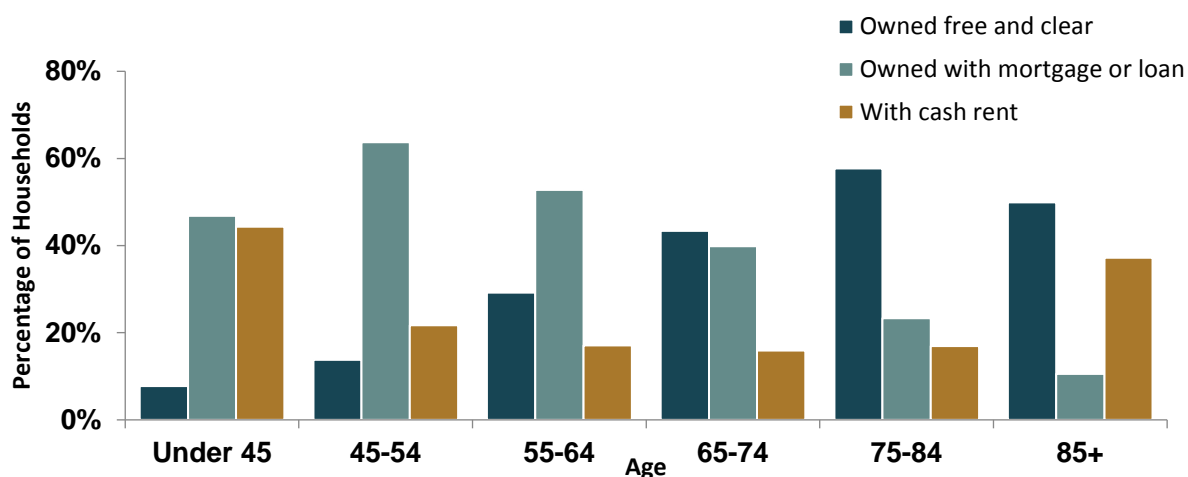
The challenge with “housing” for older adults is that having a roof above one’s head is not necessarily “good enough” for older adults who are living with multiple chronic conditions and may need help around the house or with their personal care. “Housing” needs cross over into “healthcare” needs. It is this “health and housing” situation that presents the unique challenge to allow older adults to continue to age well and live well in the housing of their choice.

This updated brief weaves housing for older adults into three categories; first is a review low income older Minnesotans living in single family homes and rental settings; second is a summary of current rental and home ownership programs for older Minnesotans and third a summary of programs related to housing managed by the MBA and Aging and Adult Services Division at the Minnesota Department of Human Services (DHS). The brief does not delve into specifics as it relates to congregate settings like housing with services/assisted living (HWS/AL) or nursing facilities. Finally the brief will review recommendations in the immediate and near future the MBA will consider.

Older adults generally age in place in their single family home through their 70s and early 80s. It is not until age 85 they start to move into some form of rental housing. Currently, the largest group of baby boomers is still under the age of 60, indicating that most of them will remain in their home for another 15 years or more. In 2020, the oldest baby boomers will be turning 74 years old.

To set the stage and understand housing for older Minnesotans, below is the home ownership and rental landscape for Minnesota divided by age group. To support housing needs of older Minnesotans there is a two-fold strategy; support aging in place, a focus on single family homes and second future development of rental housing options for older Minnesotans. With a robust strategy that addresses housing needs of an older person, regardless if they own or rent we can delay a need for long term care services.

**Figure 1. Homeownership and Rental by Age**



Source: Minnesota Housing Analysis of American Community Survey, Public Use Microdata Sample, 2015

### Homeownership and Rental Landscape

When considering housing policy and strategies to serve older adults, an important consideration is the number of moderate to low-income older adults that rent or own their own home and future population trends in the state. In fact, by 2035, older adults will account for more than 30 percent of the population in many counties, particularly in north central Minnesota and some of the border counties around the state.

A household is cost-burdened if the homeowner spends 30 percent or more of their income on housing. As reported by the Minnesota Housing Finance Agency (Minnesota Housing), an estimated 26 percent of households age 65 to 74 are cost burdened by home maintenance and 41 percent of people over 85 are burdened by costs to maintain their home (Minnesota Housing, 2018 Affordable Housing Plan, page 7).

Additional metrics to focus on are the number of homeowners and renter households that are low (30% – 50%) and extremely low income (30% or less) levels. These statistics are important because at a time older people encounter rising housing costs, they typically face financial constraints related to medical care and in-home services.

<b>Figure 2. Number of Older Adult Households by Income Level and Tenure.</b>	<b>Number of Renter Households</b>	<b>Percentage of Renter Households</b>	<b>Number of Owner Households</b>	<b>Percentage of Owner Households</b>
<b>Up to 30% of Area Median Income</b>	35,947	33%	43,455	11%
<b>30% to 50% of Area Median Income</b>	30,478	28%	59,717	16%
<b>50% to 80% of Area Median Income</b>	21,781	20%	79,717	21%
<b>Greater than 80% of Area Median Income</b>	20,042	19%	201,609	52%
<b>Total</b>	108,248	100%	384,498	100%

Source: Minnesota Housing Analysis of American Community Survey, Public Use Microdata Sample 2015

To put a focus on homeowner costs or older people, in 2016, Minnesota Housing contracted with Wilder Research to conduct a study to identify the home improvement needs of extremely low-income older adult homeowners in Minnesota. Wilder Research also estimated the cost of making necessary improvements that would allow low income older adults to continue living in their homes and thereby avoid more costly and restrictive settings such as assisted living or nursing home care. In the study, Wilder estimated based on Integrated Public Use Microdata data from the U.S. Census Bureau's American Community Survey (2014), there was approximately 51,495 mortgage free, households over 65 that qualify for Minnesota Housing's Rehabilitation Loan Program and Emergency & Accessibility Loan Program based on income.

The study produced the following additional insights:

- How many extremely low-income older adult homeowner households have home rehabilitation or improvement work that is needed for them to age-in-place appropriately?
  - 16,400 households (32 percent of households with extremely-low-income older adult homeowners) need home rehabilitation or improvement work in order for the older homeowner(s) to remain in their homes for the next five years. This includes 10,400 households in Greater Minnesota and 6,000 households in the 7-county metro area.
- How much will it cost to do this rehabilitation or improvement work?
  - Approximately \$15,749 per household or roughly \$258 million statewide per 5 years, including \$164 million for Greater Minnesota and \$94 million for the 7-county metro area.

To illustrate the costs to live in different settings, the 2016 Wilder study evaluated the monthly costs of three types of living arrangements; aging in home, assisted living and skilled nursing facility. Comparing costs for a person to age in their home vs. an assisted living is a complex evaluation. Complex because living arrangements vary and the needs of the person is diverse too. With that in mind, in the case of aging in home, the study assumed home care services costs at 20 hours per week, monthly costs for home improvement and monthly housing costs including property taxes, insurance and utilities. The person living in their home was assumed to have their mortgage paid. The monthly cost for a person living in an assisted living was derived from limited services and average monthly rent payment. To round out the assessment, the average monthly costs to live in a private skilled nursing home was also included.

Cost comparison

- Aging in home: \$3,346
- Assisted living: \$4,357
- Skilled nursing facility: \$7,576

### Rental and Housing Supports for Older Minnesotans

There are many kinds of housing supports within Minnesota whether supported by federal, state, or local funds. Currently, Minnesota Housing has several housing programs that are relevant to older adults. Here are 6 such programs. The appendix provides a more in depth description.

- A. Section 8
- B. USDA/Rural Development Section 515
- C. Public Housing
- D. Low Income Housing Tax Credits
- E. Minnesota Housing Rehabilitation Loan and Emergency & Accessibility Loan Program
- F. Housing Infrastructure Bonds (HIBs).

### A. Section 8

Section 8 housing serves just over 30,000 households with about 47 percent of these households headed by someone age 62 or older. When compared to the 26 percent share of the general population of low-income renter households in Minnesota who are age 62 or older this issue raises critical concerns. In fact, 10 percent of Section 8 households are headed by someone age 85 or older.

### B. USDA/Rural Development Loans (Section 515 Properties)

Over 3,800 heads of household who receive USDA/Rural Development Loans are age 62 years or older, or roughly 40 percent of all Rural Development households (9,531). Of those older Rural Development households, 8.1 percent are overburdened. This means those heads of households are paying more than 30 percent of their income on housing.

### C. Public Housing

Of the 23,000 public housing units in Minnesota about 29 percent are headed by someone age 62 or older. Minnesota Housing helps preserve the physical condition of these units through its programming.

### D. Low-Income Housing Tax Credits

Through Low-Income Housing Tax Credits, Minnesota Housing supports rental housing which have income and rent limits to ensure affordability. There are about 33,000 rental units in developments which have been subsidized through a Low-Income Housing Tax Credit. Because Section 8 and Public Housing has served older adults very well, only 16 percent of these units are headed by someone age 65 or older.

### E. Rehabilitation Loan Program

The Rehabilitation Loan Program is a federally funded program that provides either secured or unsecured loans to homeowners who qualify for the program through income eligibility guidelines. The program can be used to repair, improve, or modernize homes (e.g. repair or replace roof, winterizing, purchase or repair of heating system, structural repair, and water and sewage connect fees, and similar uses). In federal fiscal year 2016, just over \$640,000 was spent to complete 107 single family home repair projects. Based on the study conducted by Wilder Research, Minnesota Housing estimates that over 51,000 older adult households are eligible for, and could benefit from, this resource if more funding were available.

### F. Housing Infrastructure Bonds (HIBs)

HIBs proceeds are intended to address affordable housing infrastructure needs. The Minnesota Housing Finance Agency allocates HIBs through an RFP process. When a loan is awarded the money goes to development or rehabilitation of affordable housing units. In 2017, the legislature allocated \$55 million in HIB proceeds. As of 2017, \$13.5 of the HIB was awarded, leaving \$41.5 for 2018.

## MBA and DHS Supports for Housing

### Older Americans Act Funds

The Older Americans Act (OAA) funds administered by MBA can support “home modification” for the minor modification of homes that is necessary to facilitate the ability of older individuals to remain at home. Currently, the amount of OAA funding allocated to home modifications is quite low with an estimated 40 individuals to be served this calendar year. These limited funds must also support equally critical in-home and supportive services such as chore, homemaker and transportation.

### Live Well at Home – Capital and Renovation Grants

Applications may be made for Live Well at Home (LWAH) grants, administered by DHS, to cover the capital costs of new construction, renovation, retrofitting, or remodeling of existing buildings or accessibility modifications in individuals' homes. The goal of the renovation and remodeling efforts is the delivery of unique approaches to housing and services, affordable housing units suitable for in-home services or combinations of services, to residents age 65 and older with low and moderate incomes and persons with a variety of chronic health conditions. Retrofitting produces savings for older adults as it reduces costs of medical care and other services. It should focus on homes that lack the necessary structural features and support systems to make aging in place viable. Renovation, retrofitting and home modification includes making existing housing units accessible and/or incorporating elements of universal design.

Three examples of the capital and renovation projects funded by LWAH grants in the past include:

- In 2014, Dellwood Gardens, a culturally specific residence was awarded a LWAH grant to cover capital costs to develop rental housing. The project included several capital improvements such as:
  - Americans with Disability Act (ADA) compliant walkways and ramps
  - Updated electrical and plumbing work on residential and common spaces
  - Improved fire prevention updates and
  - An updated exercise room for the residents.
- Alliance Housing was awarded a grant to provide 42 units of housing support to older adults who are homeless. This project received tax credits from Minnesota Housing and began breaking ground on the project.
- In 2015 Mahube-Otwa (in Mahnomen, Hubbard, Becker, Otter Tail, and Wadena counties) was awarded a grant to provide ongoing homemaking/chore or one-time home repair/remodel assistance to low-income older adults living in rural Minnesota.

### Environmental Accessibility Adaptations – DHS HCBS Programs

Unlike rehabilitation projects that modernize or improve the home structure of an older person's home, a recipient on one of the home and community-based services (HCBS) programs administered by DHS, the Elderly Waiver (EW) or Alternative Care (AC) programs, are eligible for [environmental accessibility adaptations](#) (EAA) for their home or vehicle. An EAA is portable or permanent equipment, materials, devices and systems that is a direct benefit of the person. The EAA must be linked to an assessed need and ensure the health and safety or help the person function with greater independence. As of 2016 a person on EW or AC is now eligible for \$20,000 EAA adaptations per year up from \$10,000. This increase allows people on these programs to cover the market rate cost of the environmental accessibility adaptations they need including home modifications and adaptations to a vehicle.

### Recommendations for Strategic Priorities

MBA, DHS and Minnesota Housing are committed to addressing the affordable housing needs of older adults in preparation for 2030. Closely coordinated with this effort is the provision of services to older adults who need help around the house or with their personal care.

As Americans live longer, healthier and connected lives, access to home rehabilitation opportunities combined with accessible services is key to living in the community. As such, **home rehabilitation will be**

**a primary strategy for at least the next 10 years because most Baby Boomers are under age 65 and will continue to live in their own single family homes for the next 15-plus years.** When Minnesotans choose to live in their updated home this creates an opportunity to preserve connections to their community, friends and family.

**The provision of affordable older adult housing with services is a longer term need and requires new thinking.** Through the use of “gap financing”, which is zero-interest, deferred loans, rather than regular interest-bearing amortizing debt, the property owner does not pay any interest on this debt, and only pays off the principal 30 or more years down the road. With no debt costs, they can charge lower rent. Housing is made more affordable and serves even lower income households by increasing the share of the financing coming from zero-interest, deferred loans. Minnesota Housing in collaboration with DHS and MBA, is exploring the use of “gap financing” as a way to support the development of affordable rental housing for older adults. A senior housing pilot is underway with two developments, one in Mora and one in Woodbury. As the housing is being developed, work is also underway to determine the service availability for residents and ways to support aging in place.

**A priority across all of these efforts is to work with cultural and ethnic communities to develop models that best support their older community members.** These efforts can build on the successful models that have been supported, in part, through the LWAH grant program. These models have combined congregate housing with supportive services in ways that have fostered social connections and facilitated healthy aging for the older residents.

Below are more housing strategies to consider.

- Advocate for the implementation of a multi-agency task force assigned to focus solely on needs and opportunities related to older adult housing.
- Request additional state funds for the Rehabilitation Loan Program to fund home modifications and maintenance for very low-income home owners.
- Create a strong linkage between the Rehabilitation Loan Program and the delivery of HCBS
- Build provider capacity, especially in rural areas, to effectively administer these programs to help very low-income older homeowners to age in place.
- Prioritize projects that address the needs of low income home owners and development/rehabilitation of affordable rental housing in the LWAH Request for Proposals.
- Explore ways to coordinate funding between Minnesota Housing and DHS to modernize existing affordable/subsidized rental housing developments with tele-monitoring or other technology and in-home supports.
- Provide technical assistance to communities to assess their housing needs holistically and create “communities for a lifetime”. Encourage the development of housing plans that balance the housing needs across generations, increase flexibility in allowed housing types and otherwise encourage fluid use of housing across generations as needs change.
- Support the development of new smaller-scale housing options that provide meaningful alternatives to assisted living for low income older adults and encourage family and informal help around the house or with personal care.

## Appendix

### Minnesota Housing Finance Agency Housing Programs

#### Section 8

The housing choice voucher program, or Section 8 as it is commonly referred to, is the federal government's program for assisting very low-income families, the elderly, and the disabled to afford housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects. Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program.

#### USDA/Rural Development Loans (Section 515 Properties)

Similarly, the U.S. Department of Agriculture (USDA) oversees the rural development housing loans program, known as Section 515. It is primarily a direct housing mortgage program where loans are direct, competitive mortgage loans made to provide affordable multifamily rental housing for very low-, low-, and moderate-income families, elderly persons, and persons with disabilities. Many Section 515 properties also provide project-based rent assistance similar to Section 8. A current priority of Minnesota Housing is to preserve the affordability and physical condition of both Section 8 and 515 properties and units.

#### Public Housing

Public housing provides rental housing for eligible low-income families, the elderly, and persons with disabilities. It comes in all sizes and types, from scattered single family houses to high-rise apartments for elderly families. The U.S. Department of Housing and Urban Development (HUD) administers Federal aid to local housing agencies (HAs) like Minnesota Housing to achieve its mission.

#### Low-Income Housing Tax Credits

The Low-Income Housing Tax Credit (LIHTC) is the federal government's primary program for encouraging the investment of private equity in the development of affordable rental housing for low-income households. It is an indirect federal subsidy that finances low-income housing allowing investors to claim tax credits on their federal income tax returns.

#### Rehabilitation Loan Program

The Rehabilitation Loan Program is not age related and provides either secured or unsecured loans to homeowners who qualify for the program. Minnesota Housing's estimation is that roughly 51,000 older adult households are eligible for this programming.