AARP Public Policy Institute

DATA DIGEST

DEVELOPING APPROPRIATE RENTAL HOUSING FOR LOW-INCOME OLDER PERSONS: A SURVEY OF SECTION 202 AND LIHTC PROPERTY MANAGERS

Introduction

The rental housing crisis in America is having a profound impact on renters of all ages, including older residents. Older renters who can no longer afford their apartments or who live in units that are inadequate for their needs are faced with hard choices. Even assuming they can find an affordable alternative, they risk losing important social ties and informal support. Alternatively, they might reduce crucial everyday expenditures such as those for transportation or health care. Many such renters may be at risk of costly institutionalization.

The federal government has responded over the years with a variety of housing strategies to help alleviate the problem. Public housing, for instance, continues to provide many affordable units, but the program has long since stopped building additional units.[1] Housing vouchers can help low-income renters afford units in the private rental market, but many frail or disabled older renters are unable to use them.[2,3] Programs that subsidize private production of new, affordable rental housing can fill an important gap. Two of the major federal production programs are the Section 202 Supportive Housing for the Elderly Program and the Low-Income Housing Tax Credit (LIHTC) program.

This Data Digest

- documents the inadequate supply of affordable rental housing for low-income older persons, and
- provides the latest information on how these two major housing programs are serving the needs of older renters.

The information is based on a 2006 AARP survey of Section 202 and LIHTC property managers.[4]

Overview of Findings

This Data Digest includes four key findings.

- First, many residents of Section 202 and LIHTC properties for older persons are advanced in age, and a significant number are frail or disabled. These residents are the most vulnerable to loss of independence and compromised quality of life and may consequently be at risk of costly institutionalization.
- Second, the supply of both Section 202 housing and LIHTC housing is inadequate to meet the growing needs of low-income older renters, as evidenced by long waiting lists and vacancy rates substantially below the national average.
- Third, Section 202 and LIHTC properties that are intended for older persons are much more likely than other types of LIHTC properties to have the architectural features needed to promote independence for aging residents—an important consideration as LIHTC properties grow in prominence among apartment construction.
- Fourth, Section 202 properties for older persons have somewhat more success than LIHTC properties for older persons in providing services for residents, such as onsite laundry, recreation, transportation, and assistance with personal activities. LIHTC properties that do not target older persons are much less likely to have any of these services.

Section 202 Housing for Older Persons
The Section 202 Supportive Housing Program was originally authorized under the National Housing Act of 1959 to produce properties serving the housing needs of older persons and persons with disabilities. The funding mechanism was a direct loan subsidized by the Department of Housing and Urban Development (HUD). As a result of the National Affordable Housing Act of 1990, the funding mechanism was converted to capital grant, and the program was divided into two separate programs: Section 202 for older persons, and Section 811 for persons with disabilities. Older properties serving one or both populations continued to operate under Section 202; however, this Data Digest focuses only on properties serving primarily older persons, regardless of when they were built. Currently, the Section 202 stock includes more than 270,000 residential units designated for older persons[5] and produces an estimated 4,500 new residential units each year.[6] Resident income eligibility is set at 50 percent of median area income, though in practice most housing is targeted for those earning less than 30 percent of median area income.

Low-Income Housing Tax Credit Program
The Low-Income Housing Tax Credit program was established as part of the Tax Reform Act of 1986 and has since become the major federal subsidy program supporting the production of affordable rental housing units for people of all ages. The LIHTC program operates by providing a certain number of tax credits, in dollar amounts, to qualified housing providers. A state's total pool of tax credits is determined by a formula based primarily on population. Housing providers can raise capital by "selling" those credits to limited partners. State agencies that allocate tax credits consider whether projects will serve a specific population with special needs, and housing projects for older persons serve one such special need. Depending on the assistance formula, housing providers set aside a certain share of their units for renters earning less than 50 or 60 percent of area median income. As of 2003, more than 23,000 projects had been developed with more than 1.1 million units for low-income households. In recent years, the program has authorized more than 70,000 low-income units annually[8] and has become a major incentive for multifamily rental construction (in 2005, only 113,000 unfurnished rental apartments of all kinds were built nationally).[9] It is estimated that around 30 percent of properties are intended "primarily" for older persons, though in fact only 14 percent are explicitly age-restricted.[10] In this Data Digest, LIHTC housing properties intended primarily for older persons are treated separately from other types of LIHTC properties (which may serve mixed populations, or other special populations such as homeless persons).

Background: Rental Housing Crisis
The affordability problem for older renters is part of a larger crisis in affordable rental housing. A recent report from Harvard's Joint Center for Housing Studies concludes that the stock of affordable rental housing has been declining for more than 30 years, and that 1.2 million units were lost from the affordable inventory between 1993 and 2003.[7] Another report from the Department of Housing and Urban Development found that in 2003, there were 5.18 million renter households with "worst case" housing needs (defined as very low-income renters without housing assistance, paying more than half their income toward housing or living in severely substandard housing). Of those 5.18 million renter households with worst case needs, 1.13 million were headed by someone age 62 or older. In fact, among households with very low incomes, older households were more likely than other family types with comparable incomes to have worst case needs.[11] In addition, much

of the rental housing stock that now exists is aging—the median age of occupied rental units in 2005 was 35 years. As a consequence, many units are built to design standards that predate the minimum requirements of federal accessibility guidelines.[12,13]

Detailed Findings of the Survey

Resident Characteristics

Residents in properties for older persons are aging in place. The average age of older residents in subsidized housing units was 74 for Section 202 housing for older persons[14] and 71 for LIHTC properties for older persons. Among other types of LIHTC properties, the average age of older residents was reported to be 68.

Many older residents of Section 202 and LIHTC properties for older persons are experiencing some level of frailty or disability. This finding is consistent with other research that shows older subsidized renters have relatively high levels of disability compared to older renters in unsubsidized housing.[15] The questionnaire asked property managers to estimate the share of their older residents who were frail (having difficulty walking or performing everyday tasks) or disabled. The survey was not intended to probe property managers in any great depth or detail, and they may have had divergent views of what frailty or disability means.

The results indicate a relatively high population of older persons who may need supportive services to continue living independently. Property managers of Section 202 units for older persons indicated that an average of 36 percent of residents age 62 and older were frail or disabled.[16] Similarly, property managers of LIHTC properties intended primarily for older persons indicated that an average 38 percent of residents age 62 and older were frail or disabled. By comparison, property managers in other types of LIHTC properties reported that an average of 14 percent of older residents were frail or disabled.

Vacancy Rates

Vacancy rates[17] for units in Section 202 housing for older persons and LIHTC properties for older persons are considerably lower than for the other types of rental housing. For instance, the overall vacancy rate for units in Section 202 housing for older persons stood at an average of 2.6 percent in 2006,[18] and 64 percent had no vacancies at all. Similarly, units in LIHTC properties serving older persons had a vacancy rate of only 1.5 percent, with 76 percent having no vacancies at all. Among other types of LIHTC properties, the vacancy rate was 3.5 percent, with 60 percent of properties having no vacancies. By comparison, the national vacancy rate for all rental units in the United States (most of which are not subsidized) was 9.6 percent in the second quarter of 2006.[19]

Waiting Lists and Resident Turnover

The waiting lists for subsidized housing in the survey were generally very long. Approximately 90 percent of Section 202 properties for older persons maintained a waiting list for units, as did 81 percent of LIHTC properties for older persons and 67 percent of other LIHTC properties. On average, there were 50 applicants waiting for a unit to become available in a Section 202 property for older persons, compared to 38 applicants for an LIHTC property for older persons and 45 for other LIHTC properties. In some cases, waiting lists were so long that the lists were closed to any new applications. Approximately 9 percent of Section 202 properties for older persons that maintained a waiting list had closed it to any new applications, as had 2 percent of LIHTC properties for older persons and 6 percent of other LIHTC properties.

Resident turnover is relatively low in subsidized housing for older persons. Older residents in those properties are, as a group, less mobile than younger renters. Older residents are more frequently on fixed incomes and retired, while younger families are more likely to be pursuing jobs or education. Many older persons who have aged in place may be frail or have other age-related issues that make it difficult to move. In fact, the goals for housing programs depend on the population they serve. The goal for young families is to enable them to move on to unsubsidized housing, whereas the goal for older persons is to allow them to age in place and remain out of expensive institutional settings. Property managers reported that the average length of stay for residents in Section 202 housing was 7.8 years. Among LIHTC properties for older persons, the average length of stay was 6.3 years, compared to 4.4 years for other types of LIHTC properties.

Using survey questions on average length of stay, the number of units, and the length of the waiting list, it is possible to estimate the number of people on the waiting list per unit that becomes available annually. This type of estimate was used in previous AARP surveys of Section 202 housing for older persons to illustrate the need for this form of housing.[20] In 1988, the ratio of applicants to available units was 8:1. In 1999, the ratio was 9:1. In 2006, it was 10:1. The consistency of these estimates shows that demand for Section 202 housing for older persons has continued to be high over the past 16 years.[21] By comparison, the ratio for LIHTC properties for older persons was 5:1, and the ratio for other types of LIHTC properties was 8:1.

Long waiting lists, combined with low vacancies and slow rental turnover, often result in a lengthy waiting period for applicants. Property managers report that the average number of months spent on a waiting list by people applying for Section 202 housing for older persons was 13.4 months. Forty-three percent of these property managers reported that the typical applicant spends a year or more on the waiting list. Similarly, property managers of LIHTC properties for older persons report an average of 11.5 months on the waiting list, but as with the Section 202 managers, 43 percent reported a waiting period of a year or more. By comparison, time on the waiting list for other types of LIHTC properties averaged nine months, with 26 percent having a waiting period of a year or more.

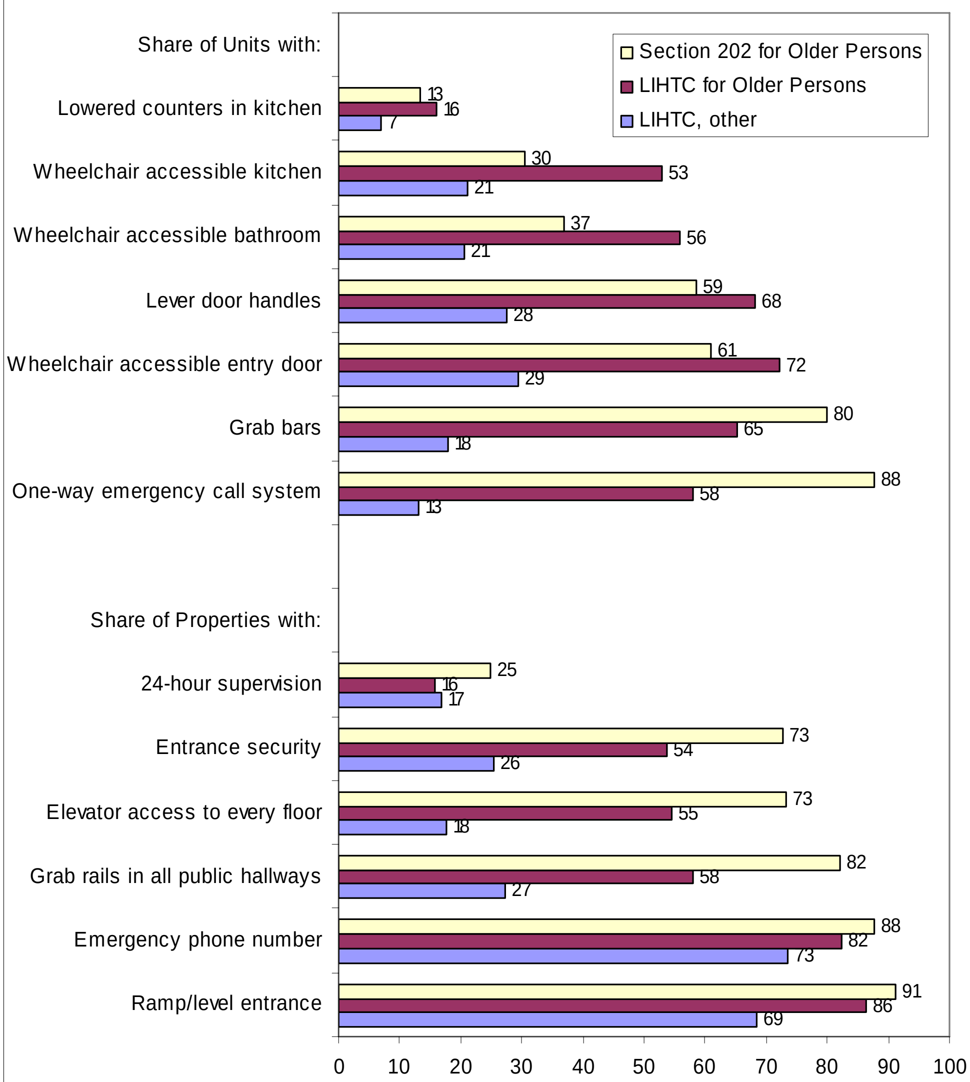
Features of Properties and Units

Section 202 properties for older persons and LIHTC properties for older persons are far more likely that other types of LIHTC properties to offer architectural and other features that help older residents maintain independence and a high quality of life. The distinction is important, because it suggests that unless multifamily rental apartments are specifically designed with the needs of older persons in mind, the market will have difficulty serving their needs. Even among Section 202 properties for older persons and LIHTC properties for older persons, there is need for further improvement to better meet the needs of an aging population.

Eighty-eight percent of units in Section 202 properties for older persons had some kind of one-way emergency call system (e.g., a pull cord to a signal), compared to 58 percent of units in LIHTC properties for older persons and 13 percent of units in other types of LIHTC properties (see Exhibit 1). Eighty percent of units in Section 202 properties for older persons had grab bars in at least one bathroom, compared to 65 percent of units in LIHTC properties for older persons and 18 percent of units in other LIHTC properties. However, features that required major design considerations (such as wheelchair-accessible entry doors, bathrooms, and kitchens) were more common in LIHTC properties for older persons than in Section 202 properties for older persons, perhaps because the latter are generally older than LIHTC properties and

Exhibit 1

Features of Properties and Units



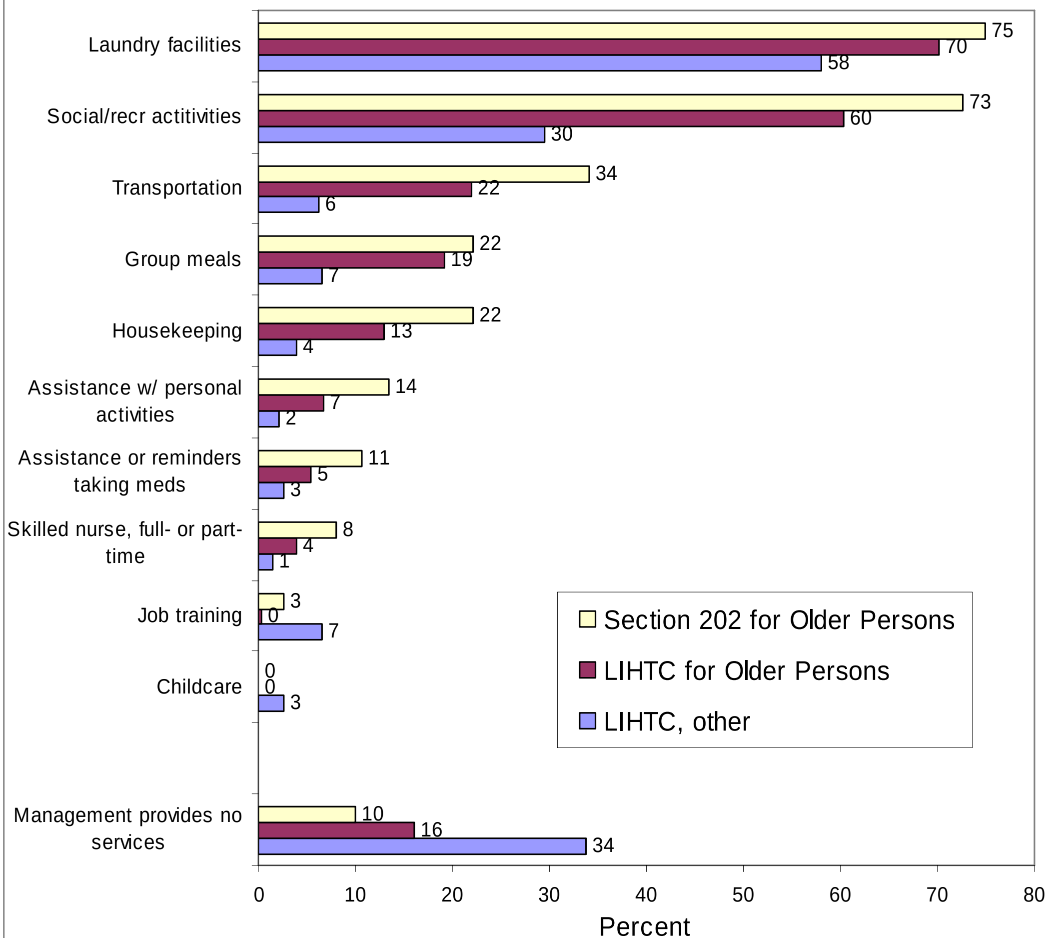
Source: AARP Public Policy Institute, Survey of Section 202 and LIHTC Property Managers, 2006.

therefore built to older industry design standards. For instance, the median year built for Section 202 properties for older persons in the survey was 1990, compared to 1996 for LIHTC properties for older persons. In the survey, 28 percent of Section 202 properties for older persons were built before 1985, compared to only 10 percent of LIHTC properties for older persons.[22,23]

The survey also asked about a small number of supportive features outside the rental units. Section 202 properties for older persons were more likely than LIHTC properties for older persons to have entrance security, grab rails in all public hallways, and elevator access to every floor. By comparison, relatively few other LIHTC properties have grab rails in hallways or elevator access to every floor. The

Exhibit 2

Services Management Provides or Arranges



Source: AARP Public Policy Institute, Survey of Section 202 and LIHTC Property Managers, 2006.

overwhelming majority of both Section 202 properties for older persons and LIHTC properties for older persons had a ramp or level entrance from outdoors to inside.

Services and Service Coordinators
Service coordinators are persons trained to work with residents and their families to arrange for support services, coordinate service delivery, and monitor the quality of and quantity of services. Sometimes service coordinators are employed by the management of the facility, and at other times service coordinators are available outside the facility (for instance, through Area Agencies on Aging).

Service coordinators are more common in Section 202 properties for older persons than in LIHTC properties for older persons. Overall, 56 percent of Section 202 properties for older persons have a service coordinator on staff, compared to 26 percent of LIHTC properties for older persons. This difference may be due, in part, to the fact that Section 202 coordinators may be funded publicly. For instance, HUD funds service coordination programs for certain HUD-assisted multifamily properties, including some Section 202 properties, through the Congregate Housing Services Program. In addition, the Section 202 program includes budget set-asides for some properties through its Service Coordinator Program. For both Section 202 and LIHTC properties, those service coordinators are almost always paid, and are about evenly split between full and part time.

In general, services are somewhat more common in Section 202 properties for older persons than in LIHTC properties for older persons, and both are significantly more likely to have services than LIHTC properties that do not target older persons. For instance, 75 percent of Section 202 properties for older persons had a laundry facility, as did 70 percent of LIHTC properties for older persons (see Exhibit 2). Seventy-three percent of Section 202 properties for older persons had social/recreational activities arranged or provided by management, compared to 60 percent of LIHTC properties for older persons and 30 percent of other types of LIHTC properties. Thirty-four percent of Section 202 properties for older persons provided or arranged for transportation for their residents, compared to 22 percent of LIHTC properties for older persons and 6 percent of other types of LIHTC properties.

Across the range of services offered, the funding source was frequently the resident's own funds. In fact, 30 percent of Section 202 properties for older persons and 38 percent of LIHTC properties for older persons relied solely on funds from residents for any services that they offered. But outside sources were sometimes available. For instance, 25 percent of Section 202 properties for older persons that provided services used (at least in part) city or state program funds, as did 19 percent of LIHTC properties for older persons that provided any services. And 21 percent of Section 202 properties for older persons that provided services used funding from charitable organizations, compared to 10 percent of LIHTC properties for older persons that provided any services.

Conclusion

Many older renters, particularly those with very low incomes, experience serious problems because housing is unaffordable or their rental units do not support aging in place. The AARP 2006 survey of subsidized housing managers demonstrates that Section 202 housing for older persons and LIHTC housing for older persons can play important roles in providing affordable housing suited to the changing needs of an aging population. Yet the survey also demonstrates that the need for such housing is far outpacing the supply, and that further improvements in architectural features and service delivery are needed in both types of properties.

Methodology

The findings of this report are based on a survey designed and funded by AARP. The data collection was conducted by Readex Research of Minnesota. The population of interest was all properties listed by the Department of Housing and Urban Development in three publicly available lists: Section 202 properties, Section 811 properties, and LIHC properties. The sample was stratified by property type to theoretically generate sufficient response for analysis of each segment. Mailings were addressed to the property manager. Data are weighted in the tabulation to restore correct proportionality by type.

In early July 2006, Readex mailed postcards to all 4,000 sample members, alerting them of the survey to come and soliciting their cooperation. Survey kits were mailed to all sample members on July 21. Reminder postcards were mailed one week later encouraging respondents to complete and return the questionnaire. On August 10 a second survey kit was mailed to 3,166 individuals not yet responding. This was followed with a second round of reminder postcards sent to 2,974 nonrespondents on August 17. The survey was closed for tabulation on September 5, 2006, with a total of 1,219 usable responses—a 33 percent response rate. Although this is considered a good response rate for this type of survey, a significant fraction of those invited to participate chose not to do so.

The results of the survey were tabulated both by the contractor and later by AARP. The AARP tabulations presented in this report include the following changes:

- In 94 cases, respondents indicated that there were no subsidized units in the property, 90 of which were from LIHTC properties. Some housing managers do not view the tax credit as a subsidy because there is no direct payment from the government to the resident or housing provider. Nonetheless, the tax credit represents a subsidy from the government, and providers must agree to rent units at a lower cost to income-qualified residents. Therefore, for these cases, housing agency administrative records were used to estimate the number of units in the property that were subsidized.
- AARP refined the tabulations by identifying properties for older persons within each program type on the basis of whether the property was intended to serve "primarily seniors/older persons." Thus, this report provides estimates for Section 202 housing for older persons (excluding properties from earlier program phases that serve disabled persons regardless of age) and divides the LIHTC properties into those for older persons and "other." Too few Section 811 responses were available to be included in this report. In all, there were 317 respondents for Section 202 housing for older persons, 227 respondents for LIHTC properties for older persons, and 616 respondents for other LIHTC properties.
- In five cases, properties reported no residents. These were excluded from tabulations.
- Estimates cited in this report are based on observed responses to a given question. In other words, nonresponses are excluded from the base when estimating a frequency or average. Respondents may choose not to answer a question because they do not know the answer, they feel it would be inappropriate to answer, or for other reasons. For most questions, the number of nonresponses was very small. The highest non-response occurred for "months on waiting list," at 10 percent.

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[1] There are around 1.2 million public housing units, of which approximately 300,000 are occupied by renters age 62 and older. (Source: Department of Housing and Urban Development, Resident Characteristics Report, generated October 31, 2006, http://www.hud.gov/offices/pih/systems/pic/50058/rcr/index.cfm.)

[2] There are around 1.8 million tenant-based vouchers, of which approximately 320,000 serve renters age 62 and older (Source: Department of Housing and Urban Development, Resident Characteristics Report, generated October 31, 2006, http://www.hud.gov/offices/pih/systems/pic/50058/rcr/index.cfm.)

[3] Vouchers are not always optimal for the oldest renters, who are frail or who have mobility impairments that make it difficult for them to search the private market for supportive housing that will accept the voucher. A study by the Department of Housing and Urban Development (HUD) confirms that the successful use of vouchers declines significantly for older households. (Source: HUD, Study on Section 8 Voucher Success Rates, November 2001, http://www.huduser.org/Publications/pdf/sec8success.pdf.)

[4] Information was also collected for the Section 811 program, but the number of responses was insufficient to provide detailed comparisons in this report.

[5] Source: United States Government Accountability Office, *Elderly Housing Programs that Offer Assistance for the Elderly* (GAO-05-174), February 2005. Older residents are also found in Section 202 units that are designated for persons with disabilities.

[6] Estimate provided by American Association of Homes and Services for the Aging.

[7] Source: Joint Center for Housing Studies, *State of the Nation's Housing, 2006,* http://www.jchs.harvard.edu/publications/markets/son2006/son2006_rental_housing.pdf. Affordable rental housing in this report is defined as the rental stock "that is affordable, at 30 percent of income, to the third of renters with incomes of $16,000 or less" (p.24). Those dollars are adjusted for inflation in computing the decline between 1993 and 2003.

[8] Source: National Council of State Housing Agencies, reported in 2006 and available at http://www.ncsha.org/uploads/2005-Utilization.pdf.

[9] Source: U.S. Census Bureau, *Survey of Market Absorption of Apartments, 2005,* available at http://www.census.gov/hhes/www/housing/soma/soma.html.

[10] The survey presented here asked property managers whether "seniors/older persons" were one of the populations the apartments in the property were intended for. If the response to this was "yes," then managers were further asked whether these apartments were intended "primarily" for seniors/older persons. Based on those responses, it is estimated that 30 percent of LIHTC properties are intended primarily for older persons. Because those properties might still serve other types of households, it was not possible in this survey to count the number of *units* intended for, or set aside for, older persons. AARP Public Policy Institute analysis of the Census Bureau's Residential Finance Survey suggests that only 14 percent of LIHTC properties are explicitly "age-restricted" (defined in that survey as restricted to residents age 55 or older). For a discussion of that survey, see U.S. Census Bureau, *Residential Finance Survey*, http://www.census.gov/hhes/www/rfs/rfs.html.

[11] Source: Department of Housing and Urban Development, *Affordable Housing Needs: A Report to Congress on the Significant Need for Housing,* December 2005, http://www.huduser.org/publications/affhsg/affhsgneed.html.

[12] Source: HUD and Census Bureau, *American Housing Survey for the United States: 2005,* August 2006, http://www.census.gov/prod/2006pubs/h150-05.pdf, see Table 1A-1.

[13] Architectural requirements for recipients of federal funds were not passed by Congress until the Rehabilitation Act of 1973 (Section 504), and key design standards for all multifamily housing were not passed until the Fair Housing Amendments Act of 1988 (and not implemented until the 1990s). The Fair Housing Amendments act also required housing providers to make reasonable accommodations and to allow residents to make reasonable modifications to meet their needs. The Americans with Disabilities Act, passed in 1990, required accessibility for common areas, such as rental offices, shared laundry rooms, meeting halls, and parking facilities.

[14] Consistent with earlier surveys of Section 202 units, which found an average age of 72 in 1983, 74 in 1988, and 75 in 1999. The average age of 74 in this report is not statistically different from those estimates.

[15] See, for instance, Donald L. Redfoot and Andrew Kochera, "Targeting Services to Those

Most at Risk: Characteristics of Residents in Federally Subsidized Housing," *Journal of Housing for the Elderly* (Haworth Press, Inc.), Vol. 18, No. 3/4, 2004, pp. 137–163.

[16] An earlier AARP study found increasing levels of frailty among Section 202 residents over time (ibid., FN 12). For instance, in 1999 managers reported that 22 percent of residents were frail, compared to only 13 percent in 1988. The 36 percent frailty/disability level in the current survey may suggest that the trend toward increasing frailty has continued; however, because the survey question in 2006 was not identical to those earlier studies, a statistically valid comparison cannot be made.

[17] The vacancy rate is the share of units in a rental property that are unoccupied at a given time.

[18] Earlier AARP surveys of Section 202 properties for older persons found vacancy rates of 1.6 percent in 1999 and 1.4 percent in 1988; insufficient information is available to determine if the current estimate is statistically different from those earlier estimates. Discussion of those earlier surveys is available from AARP Public Policy Institute, *The 1999 National Survey of Section 202 Elderly Housing*, January 2001, http://www.aarp.org/research/assistance/lowincome/aresearch-import-733-2001-02.html.

[19] The AARP survey was conducted at the beginning of the third quarter of 2006 (see Methodology). At the time of this publication, the second quarter was the most recent comparison available for the overall national vacancy rate. See U.S. Census Bureau, *Housing Vacancy Survey, Q2 2006*, http://www.census.gov/hhes/www/housing/hvs/hvs.html.

[20] Source: AARP Public Policy Institute, *The 1999 National Survey of Section 202 Elderly Housing*, January 2001, http://www.aarp.org/research/assistance/lowincome/aresearch-import-733-2001-02.html.

[21] At first glance, it would appear that the ratio is growing, consistent with anecdotal evidence. However, the sample size in 2006 is not sufficiently large to conclude that the difference between 1999 and 2006 is "statistically significant."

[22] In a 1999 AARP survey, it was estimated that 38 percent of Section 202 properties for older persons were built before 1985. Production over the next seven years, accounted for in the 2006 survey, reduced that share somewhat; however, it is possible that the current survey undercounts older units slightly.

[23] The LIHTC program did not exist in the early 1980s; however, some older properties would have entered the LIHTC program through rehabilitation, which is a qualified use for the tax credit.