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Frank O'Hara
Planning Decisions, Inc.

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Getting Creative About Elderly Housing

by Frank O'Hara



In his commentary on Stephen Golant's article, Frank O'Hara notes that Golant has very successfully identified the problems of some older homeowners. However, he suggests that the solution Golant proposes—government-assisted rental housing—may apply to only a few members of the group. Moreover, very little government-subsidized rental housing is being built or planned in Maine. Using Golant's data, O'Hara extrapolates that affordability is the primary problem for older Maine homeowners, but he notes that very few are interested in the public policy alternative that would best meet their needs, namely reverse mortgages. However, he observes that older Maine homeowners are increasingly willing to sell their homes and move into multi-family settings if the attractions are there. 🐉

Recently I led a discussion among elderly residents in a coastal Maine town. The first question was identifying their major housing problems. As is often the case, property taxes topped the list. The second question was about how much their homes had increased in value in the past year. The group looked at each other and shook their heads in amazement. For a woman on the left it was \$25,000; for the couple over there it was more like \$40,000. Virtually everyone in the group believed that they had experienced a windfall.

This led to a third question. How many would be willing to pay their property taxes for the past year out of these profits—by putting a lien on their home, to be repaid with modest interest upon their death or resale of the home? I pointed out that their taxes—around \$5,000—would take away only a small portion of what they reported as their increased equity. The question was based on the principle underlying what are called “reverse mortgages.”

The answer to this question was swift and decisive. Not on your life, they said to a person. We wouldn’t want to take away from our children’s inheritance. That wouldn’t be right.

This brief exchange provides a backdrop to Professor Golant’s stimulating piece on older homeowners in Maine. I will explore the implications of the discussion further in the response below, but before doing so, I would like to make two general comments. The first is a compliment. Professor Golant has succeeded in identifying an important public policy issue for Maine. As he says, most Department of Housing and Urban Development (HUD) reports assume that only low income renters have severe and immediate housing needs. Yet, most older households in Maine are homeowners, and there are more elderly homeowners than renters living under the poverty level in Maine (see Figure 1).

The second is a criticism. Professor Golant jumps from successfully identifying a group with problems and issues to identifying one specific solution for them—government-assisted rental housing—that may in fact only apply to a few members of the group.

With the preliminaries out of the way, let’s get into the details.

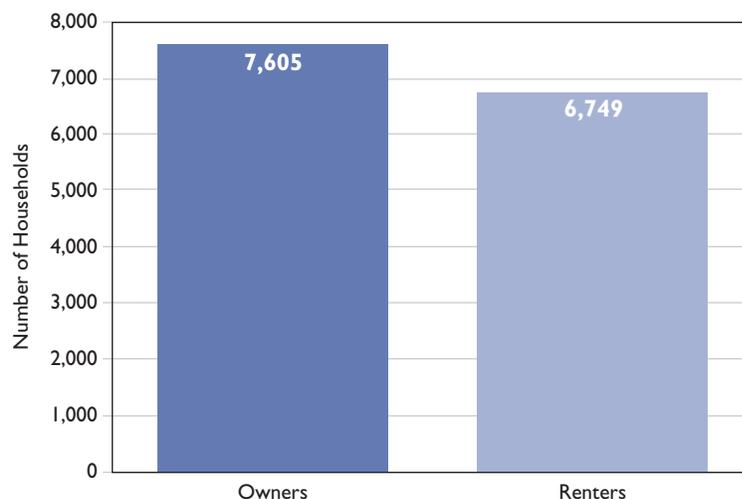
Golant estimates that there are a little over 20,000 Maine elderly households with very low income and priority or less severe housing problems. A household is *very low income* if it earns less than 50% of the local area median. A *priority* problem is either paying over half of the household income for housing and/or living in a place with severe physical problems. A *less severe problem* is either paying 30.1%-50% for housing, and/or having moderate physical structure problems.

Taking Golant’s methodology a step further, the national ratios (on his Table 4) can be used to estimate the types of problems these 20,000 Maine elderly homeowners experience.

The result, shown in Figure 2, is that 93% of the 20,000 households are experiencing a cost problem, and 13% are experiencing a condition problem (numbers add to more than 100% because some have

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FIGURE 1: Elderly Households Below Poverty in Maine 1999

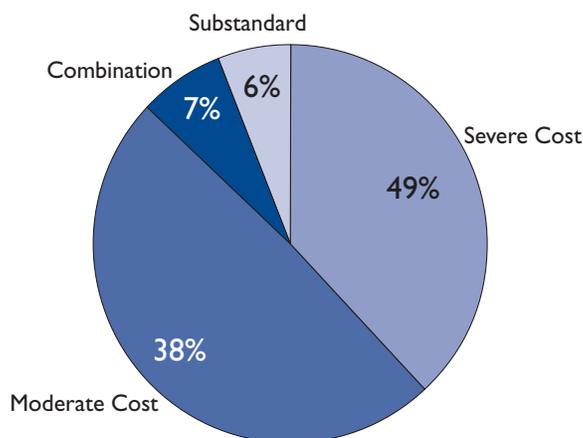


both problems). In short, cost is the major problem in terms of incidence.

The cost problem does not have to do with interest rates or mortgages. Golant's Table 8 shows that 87% of very low income elderly homeowners nationally have no mortgage payments at all. While these data are not available for Maine, most of Maine's elderly homeowners have lived in their present homes for many years, which is a good indication that their mortgage payments are likewise either low or nonexistent.

If the problem is cost, and people don't have mortgages, then the problem must have to do with property taxes and utilities. A property tax payment of \$5,000—not uncommon along the coast—for an elderly household with an income of \$20,000 to \$30,000, represents a major expense. Another clue that property taxes are the problem can be found on Golant's Table 5. It shows that the majority of low-income elderly Maine homeowners with housing problems live in homes valued over \$100,000. This is the classic definition of the “property rich, cash poor” household.

FIGURE 2: Problems of Low-Income Elderly Maine Homeowners



This brings us back full circle to the discussion referred to in the beginning of the article. Most elderly homeowners with priority problems have difficulties with cost. Most cost issues have to do with property taxes. Yet most elderly are uninterested in the public policy solution—reverse mortgages—that meets the need most efficiently. Reverse mortgages are not only self-funding, they also are fair; it is not right for a logger in a \$50,000 house in Fort Kent to help pay through his state income taxes the property taxes for a widow on York Beach in a \$300,000 house. Golant's data confirm what the focus group found, namely that Maine elderly lag behind most other states in their use of reverse mortgages.

Of course reverse mortgages are not the answer for every elderly homeowner's problems, just as Golant's answer of government-assisted rental housing also doesn't fit every situation. However, what both of our ideas have in common is that neither is particularly popular with the target population of the elderly. Golant's discussion of the problem of the elderly “romanticizing aging in place” is another way of admitting that they don't want to move to rental housing. So how should we deal with proposed solutions that the elderly don't like?

This issue has been around for a while. Twenty-five years ago, Sherman Hasbrouck, a professor at the University of Maine, surveyed Maine's elderly on their housing preferences. My recollection is that he found that somewhere around 95% of elderly households wanted to stay where they were, and did not want to move to the new rental housing that was being built everywhere across the state at that time.

Our firm did many of the market studies for those elderly housing projects. The interesting thing that we found was that once such a project was built, elderly in the area changed their mind and moved in. It was not unusual for such projects to gain 30% to 40% of income-eligible elderly households in the market area—a far cry from the 5% who told the researchers that they would move. It turns out that once a project was built—and people could see it and consider the real-world alternatives—they were open to moving. The fact that in-home services were very underdeveloped at the time may also have been a contributing factor.

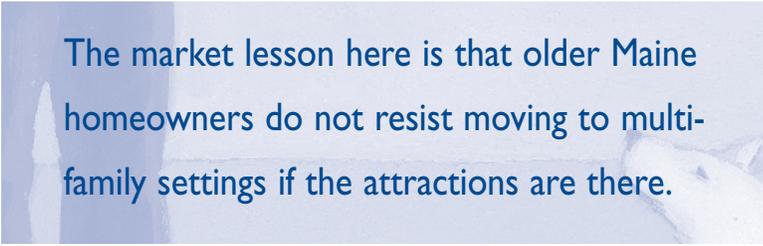
Today there is very little new government-subsidized rental housing being built, and no prospects in the foreseeable future for significant new resources going into subsidized apartment construction. So in this respect Golant's solution has an air of the theoretical about it—where is the new rental housing going to come from? But there is an even more important difference today from the situation that existed 25 years ago. That is, we have seen in Maine the development of a new model of housing for the elderly, which, for lack of a better term, can be called “retirement” housing. This option has been developed by the private sector, and is currently very expensive, but these facts do not take away from the great success the housing has achieved among the elderly.

The characteristics of such housing is that it has housing options for different ages of elderly—the “young elderly” (55 to 65), interested in one-floor cottages and active living; “middle-aged elderly” (65-75), interested in apartment-style living with services right at hand; and “older elderly” (75 plus), who make the next move into assisted living and health-care related settings. Most of the people moving into such housing come from homeownership. The market lesson here is that older Maine homeowners do not resist moving to multifamily settings if the attractions are there. Still, to be clear, not all retirement multifamily housing options are rental—there are coops and condominiums as well as apartments and every kind of hybrid in between. So the second lesson is that the form of tenure—owner or renter—does not matter so much as the kind of housing.

The major reason people are open to making such moves is not cost or condition, as Golant emphasizes, but simple loneliness, boredom, and in some cases, fear of isolation. Along with property taxes, the most common problems raised by Maine elderly in discussion groups are the cluster of emotional issues arising out of living alone in the countryside. Elderly focus group participants often talk about in-home services—such as transportation, home maintenance or home health—but the subtext is more complex. It's not enough to have a meal to eat and the medicines administered; it's also nice to have a little fun, to go shopping, to go to church, to play cards.

Government-subsidized regional transportation services can take care of physical needs (doctors and business appointments), but are never frequent and convenient enough to satisfy the constant urge for sociability.

It is this “sociability” impulse to which private retirement communities respond. I once sat through the sales pitch for a Sun City development in Hilton Head, South Carolina. The first two hours were devoted exclusively to social clubs, courses, trips, sports, crafts, and other activities; only in hour three was a sample unit shown. Retirement communities sell lifestyles, not housing.



The market lesson here is that older Maine homeowners do not resist moving to multifamily settings if the attractions are there.

Rich people who can afford private retirement communities are not the only ones with needs for social interaction and mental stimulation—so are poor people who live in the country. The challenge for public policy is how to deliver such an environment at a cost less than several hundred thousand dollars a person, as is the case in private housing.

One such approach was explored in a project in which I participated over the past year with planner Holly Dominie in Augusta. The project explored how existing urban neighborhoods could be made more “elderly friendly,” and thus satisfy the needs of middle-class elderly for affordable housing near to services and cultural outlets. The project was sponsored by St. Mark's Episcopal Church in Augusta and the West Side Neighbors, and funded by the Maine Community Foundation.

The project was designed to answer two public policy problems facing Maine: first, high vacancy rates and deterioration in urban residential neighborhoods; and second, the need for elderly to have reasonably priced retirement alternatives. Through a process of extensive consultation with older (and younger)

residents in Augusta's west side, we found that this older neighborhood could be transformed into a more elderly friendly environment by slowing down traffic; by creating paths, benches and pocket parks; by having responsive snow-removal and public safety and code enforcement services; by adding a neighborhood center with a health clinic; by mixing small shops and community facilities (such as a library) within easy walking access; by having good bus transportation to malls and hospitals; by converting existing large homes to accessible apartments; and by mixing in new mother-in-law apartments and single homes in character with the neighborhood. West Side Neighbors is moving forward with the formation of a community development corporation to help finance housing and other investments needed.

This is a promising start. If this approach succeeds, it could provide a way to meet the shelter, social, health, and cultural interests of the elderly—including the low-income elderly—at a lower cost than existing retirement housing or even the Section 8 subsidized elderly housing projects of the late 1970s.

In summary, Professor Golant's article should serve as a stimulus to finding ways to be creative, and do more with less to meet the needs of Maine's growing elderly homeowner population. 🐟



Frank O'Hara is co-owner of Planning Decisions, Inc. (www.planningdecisions.com), a 20-year-old public policy and market research firm based in Maine. His work concentrates on community development, economic development, housing, workforce development, visioning, and strategic planning.

