



An Assessment of Demand For Affordable Senior Housing in Minnesota

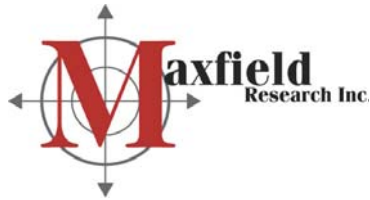
Prepared for:

Consortium of Housing Authorities and Private Developers
Woodbury, Minnesota

November 2014



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November 20, 2014

Consortium of Housing Authorities and Private Developers
c/o Ms. Barbara Dacy
Executive Director
Washington County HRA
7525 Currell Boulevard
Woodbury, MN 55125

Dear Ms. Dacy:

Attached is our report “An Assessment of Demand for Affordable Senior Housing in Minnesota.” Based on an analysis of older adult population and household estimates and projections, an analysis of incomes, tenure trends, home values, and existing affordable housing units in Minnesota, we find:

The number of age- and income-qualified one- and two-person households 55+ in Minnesota that can qualify for affordable age-restricted housing in 2014 is estimated at 149,723 households after accounting for a supply of 23,472 units. This figure is expected to rise to 219,873 by 2020 after accounting for an increase in the supply to 23,750 units. Utilizing a short-term capture rate of 10% of age and income-qualified households results in a need for 15,000 units of affordable senior housing in 2014, increasing to 23,000 by 2020.

“Affordable” is defined as renter households (55+) with estimated 2014 incomes of \$30,000 or less for one and two-person households and one- and two-person owner households with incomes of \$20,000 or less. The income-qualified household base was adjusted for 2020 to account for inflation to include 55+ renter households with incomes of \$35,000 or less and 55+ owner households with incomes of \$25,000 or less.

At a minimum, the construction of 400 units per year split between the Twin Cities Metro Area and Greater Minnesota for the next five years, (2,000 total units), would result in a market penetration rate of the age/income-qualified household base of only 0.3% in 2014, increasing to 0.9% by 2020.

Since the early 2000s, the Department of Human Services (DHS) has surveyed counties in Minnesota to provide information on service capacity for various programs. Between 2008 and 2012, the responding counties combined had a 15% increase in the use of Elderly Waivers¹ in

¹ Elderly Waivers are available to households age 65+ who are Medicaid eligible and have personal care needs that are at the level of a skilled nursing facility, but the household elects to receive these services in a home or community-based setting.

Minnesota demonstrating that an increasing number of seniors (65+) need additional financial assistance to pay for support services.

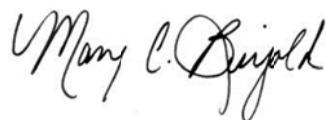
Independent housing with limited services and features targeted to seniors is in high demand, particularly for low-income senior households. As seniors age in place, the majority are expected to need a level of service that may not require assisted living or higher care facilities, but must at least provide some basic services such as transportation, housekeeping, meals and some limited health care oversight.

Independent age-restricted housing affordable to 55+ households with incomes of less than \$35,000 have already proven highly popular with older adult households in the Metro Area and in several locations throughout the State. These units remain in high demand, many with waiting lists, but their availability is severely limited due to low turnover and growing demand. Residents of these properties would be able to be better served if some limited, but basic services such as those mentioned above could be added to these facilities. This would reduce costs, provide more efficiency of service delivery, but would also reduce turnover to some degree. Therefore, the need for these facilities would increase with the addition of basic services.

Those most difficult to serve are older adult households in the middle, those who cannot afford the high cost of private pay market rate senior housing, but do not income-qualify for Section 8 or are unable to obtain affordable age-restricted housing because the properties are full.

Sincerely,

MAXFIELD RESEARCH INC.



Mary Bujold
President

Attachment

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Principal Conclusions

Based on the analysis, Maxfield Research identifies the following key conclusions:

- People age 55 years and older are projected to increase from an estimated 1.57 million in 2015 to 1.83 million by 2020, an increase of 260,000 people, an increase of 16.6% in five years.
- This increase in the senior population will create significant additional demand for housing and care services;
- Households age and income-qualified for “affordable” senior housing are estimated to total 149,723 in 2014, increasing to 219,879 by 2020. Using a short-term capture rate of 10% of age and income-qualified households, we conservatively estimate demand for 14,972 units of affordable age-restricted housing in 2014 increasing to 22,988 by 2020, an increase of 54%.
- Older adults need housing with rent levels that are affordable to their incomes and increased access to chore and care services;
 - Rental costs in the Twin Cities continue to escalate and vacancies are low; in some areas, severely low;
 - The high cost of rental housing production throughout the State has greatly limited the construction of independent living senior units in Greater Minnesota.
- Cost burden rates for seniors are higher than for non-seniors and they increase as households get older. Fifty-four percent (54%) of senior renters and 26% of senior owners spend 30% or more of their income on housing versus 46% of non-senior renters and 24% of non-senior owner households. As households age, they pay a higher proportion of their income on housing. The current gap is expected to widen as the proportion of older adults increases.
- According to the Wilder Foundation’s Statewide 2012 Homeless Study, older adults (55+) had the largest percentage increase in homelessness since the 2009 study. Statewide, 777 homeless adults age 55 or older were counted in the 2012 study, up from 526 in 2009, a 48% increase. Adults 55+ represent 8% of the homeless population and 26% of the total population in Minnesota. In Greater Minnesota, the survey found double the number of homeless older adults (55+) not using shelter. Shelters in Greater Minnesota are often found to be at capacity. Older adults on fixed incomes are often in precarious economic situations and when rents are increased, they may find themselves not being able to pay rent, buy food and take care of medical expenses on small incomes.

SUMMARY

- Many seniors are likely to outlive their assets or may not be able to access those assets (selling their single-family homes) because of:
 - lack of demand for the single-family home from younger households
 - higher levels of debt on existing homes (continued mortgage balances)
 - lack of affordable housing options in their communities
- The highest proportion of households age 65 or older have household incomes of \$10,000 to \$30,000.
- A majority of low income seniors that have a disability, rent their housing.
- Housing cost burdens increase the older the household.
- Affordable housing options are scarce.
- Federal funding has been cut back and further cuts are anticipated.
- Existing housing typically has long waiting lists.

Key Findings

Dramatic population growth

Housing an aging population and providing “affordable” housing for older adults is already a prevalent topic of discussion and research across the Nation, involving some of the largest elder organizations in the country. These concerns will rapidly become a reality over the next 15 years as the baby boom generation becomes the largest older adult population in our nation’s history.

In Minnesota, people age 55 and over are projected to increase from an estimated 1.5 million in 2015 to more than 2.1 million by 2030, an increase of 39% versus an overall increase in the total population during this same period of 8.9%. In terms of sheer volume alone, the number of older adults that will need assistance with housing and those that will need services will rise dramatically.

Market Rate Age-Restricted (55+) Housing

Market rate age-restricted housing has continued to proliferate in the U.S. with healthcare organizations and private developers that have responded to demand from upper-middle income and affluent households to provide housing and services. However, the rapidly rising costs of providing this housing are often beyond the reach of low- and moderate income older adult households, particularly older adult renter households, whose average net worth is estimated at \$6,100 (Survey of Consumer Finances – 2010). Costs for housing with services are increasing at rates of between 3% and 6% annually according to national surveys. Minnesota’s cost increases at private pay facilities also fall within this range.

Older Adults Owning and Renting

Maxfield Research Inc. has been documenting household tenure trends in the Twin Cities Metro Area and in the State of Minnesota for 30 years through our real estate consulting practice. Between 2000 and 2010, Maxfield Research Inc. has noted a modest shift downward in a number of submarkets in the proportion of those ages 55 to 64 that own their housing. Typically very high, the proportion of ownership in this age category has started to decrease. Some of this decrease can be attributed to baby boomers making a shift in their living arrangements, from owning to renting at an earlier age than did their parents. While more affluent baby boomers are able to support their retirement years through investments and home equity, the increased longevity of the baby boom generation may result in a portion of boomers exhausting their assets earlier than planned. With the sheer size of this generation, even a small proportion (10% to 15%) could result in a large number of people that will not be able to afford their housing and service needs.

Households Living Alone

Currently more than 28% of households now live alone in the US and demographers project that this figure will rise substantially due to the aging of the baby boom generation and an increase in more people's preferences for living alone. While the figure above includes a high proportion of young people, many baby boomers are living alone because they have either remained single all of their lives or are divorced or widowed. For those that have never had children, there will be no generation below them to provide care and financial support as has been the case with most of the current generation. Inevitably, this responsibility will fall to the State and Federal government. There are predictions that some baby boomers may never be able to retire or at least not retire until they are well into their 70s and possibly 80s.

Disability and Housing Cost Burdens

In Minnesota, older adult households at lower incomes are more likely to have disabilities. Of households age 65 or older with incomes of 50% or less of AMI and a disability, 62% rent their housing. For those with incomes between 51% and 80% of AMI and a disability, 51% rent their housing. Households age 65 or older that have a disability at all income levels consistently rent their housing.

Housing cost burdens increase the older the senior household. In Minnesota, an estimated 25% of 85+ households spend 50% or more of their income for housing. An estimated 31% of 65+ household with incomes of 50% or less of AMI spend 50% or more of their income for housing. Typically, households that are renting an apartment are not allowed to make alterations to their units. If there is a need for additional accessibility, this may not be available to the tenant in a typical apartment.

Affordable Older Adult Housing and Services

The need for affordable housing and affordable care services for the upcoming generation is likely to reach critical proportions within the next 25 years, but already boomers with limited resources, including lower wages and those that have never owned a home, are turning to affordable housing. Those with the lowest incomes, 30% or less of Area Median Income (AMI) are seeing options become increasingly scarce. No new Federally-funded Section 8 housing is being constructed and many properties that were once restricted to those 62+ are now at least partially or in some cases, mostly filled with those under age 62 that have physical or cognitive limitations. Many have waiting lists that extend for several months up to five years or more. Housing Choice Voucher waiting lists are also five or more years and many waiting lists have been closed to new applications in the Twin Cities for several years.

Survey Data and Census Data

Some surveys of empty-nesters 55 to 64, indicate that they would prefer to remain in their homes rather than relocate. However, national data is not bearing out this finding. Since the inception of the senior housing industry (late 1970s/early 1980s), the benchmark level of seniors living in senior housing was projected at 15% as market saturation. With the broad spectrum of product that is now available to 55+ households in the market, many communities have surpassed this benchmark and the proportion of those 55 or older living in age-restricted housing is still rising.

Changes in lifestyles and the proliferation of housing products to serve populations age 55 years or older has resulted in increased market penetration by older adults that have elected to reside in properties that provide features and services targeted to serve their needs. As of 2013, the number of age 65+ households residing in age-restricted housing in the Twin Cities Metro Area had reached 18%, excluding housing that serves very low-income seniors, which would raise this proportion even higher.

As older adults age into their 70s, they are more likely to move from their single-family homes and are more likely to rent their housing, according to national statistics from the US Census American Community Survey. Therefore, despite many preference surveys that identify 55+ older adult households as desiring to remain in their single-family homes indefinitely, the reality is that increasing numbers of older adults relocate either voluntarily or involuntarily because of a health issue or the death of a spouse.

According to data provided by the American Community Survey through the US Census Bureau, the highest proportion of households age 65 or older have household incomes of \$10,000 to \$30,000. Roughly 180,000 age 65+ households in Minnesota or xx% of the total had annual incomes of less than \$28,000 (roughly half of the state median income).

Rental Housing Costs Increasing

For 65+ households with incomes of less than \$28,000, their median annual income is only \$16,000. Therefore, housing costs for those earning the median would need to be \$400 per month to be considered affordable. While some apartment rental rates in greater Minnesota are at this level, the housing product is typically not accessible (i.e. does not have an elevator, may only have stairs, may not be wheelchair accessible or other factors which limit the ability of seniors to be able to reside in these general market properties. In the Twin Cities, the average rental rate for a studio apartment is \$759 per month and the average rental rate for a one-bedroom is \$875. Clearly, average Twin Cities Metro Area rents are unaffordable to this group.

SUMMARY

In Greater Minnesota, the lack of affordable housing options for low and moderate-income seniors, especially those with homes that have modest values, creates a gap in the market whereby a proportion of seniors have insufficient assets to relocate to market rate facilities. Although Elderly Waivers provide an option for these households that need services, an increasing number of market rate assisted living facilities will often not accept seniors that have not been admitted first as private pay. This is primarily due to the low reimbursement rates under the Elderly Waiver program versus the cost of care.

Rise in Homelessness among Older Adults (55+)

According to the most recent Wilder Foundation Statewide Homeless Report (2012), older adults (55+) experienced the largest percentage increase in homelessness among all of the age cohorts since the 2009 study. The 2012 report counted 777 homeless older adults age 55 years or older, up from 526 homeless older adults in 2009, a 48% increase.

The 2012 study also found that the number of homeless older adults (55+) not utilizing shelter in Greater Minnesota had doubled since the last survey in 2009.

Additional key findings from the 2012 homeless report include:

- Homeless older adults are the fastest growing segment of the homeless population.
- Males, African Americans and military veterans continue to be overrepresented among older homeless adults.
- About half of older adults did not become homeless until they were age 50 or older; most are unemployed.
- Income support is a critical aspect of support for older homeless adults. While older homeless adults had a higher median monthly income compared to homeless adults under age 55 (\$400 vs \$342), they relied more on General Assistance and Social Security for their income than homeless adults under age 55.
- Sixty-nine (69) percent of older homeless adults reported having chronic health problems. High blood pressure, diabetes, and chronic lung problems were the conditions most often reported. In addition, 41% reported having chronic or persistent mental health problems.
- Forty-five (45) percent of older homeless adults reported they could pay \$200 or less per month for rent. The median amount that older homeless adults said they could pay was \$226.

SUMMARY

- More than one-quarter of homeless adults said they needed assistance in applying or reapplying for benefits. Older adults often turn to family for assistance in this area, but 43% of older homeless adults reported they were disconnected from their families.

Decline in Affordable Housing Funding for Older Adults and Seniors

Programs to provide affordable housing for 55+ and 62+ households have been substantially reduced throughout the US and in Minnesota including project-based Section 8 and Section 202. Minnesota Housing's point system for LIHTC funding favors non-senior affordable development. Rural Development funding is available, but is restricted to geographic areas outside of the Twin Cities Metro Area. HRAs/CDAs have provided affordable senior units, but are also trying to manage scarce resources among all of their constituencies. These units have largely filled rapidly, maintain high occupancies and have substantial waiting lists. The need is much greater than the available supply.

Age and Income-Qualified Market and Market Penetration

As of 2012, there were an estimated 183,605 households with incomes of less than 50% of the state's adjusted median income (AMI)². The median income for this group was approximately \$16,000 and accounted for 39% of all 65+ households.

In calculating the potential demand for affordable housing units that would serve low and moderate income households age 55 or older in Minnesota, Maxfield Research identified a total of 149,723 households that would be age and income/qualified in 2014. This figure is projected to rise to 219,879 by 2020 or an increase of 70,156 new households over the period, an average of 11,700 households annually. These figures account for low- and moderate-income households that are already being assisted through other units.

Developing a minimum of 400 units per year of affordable age-restricted rental housing over the next five years (from 2015 to 2020 – a total of 2,000 units) would result in a market penetration rate of the age and income-qualified 55+ household group of 0.3%, increasing to 0.9% by 2020. The age and income-qualified market for affordable age-restricted housing is projected to increase by 47% between 2014 and 2020.

² MN Housing, Profile of Older Minnesotans, 2012.

Study Purpose

Maxfield Research Inc. was engaged by a consortium of Housing and Redevelopment Authorities to complete an assessment of the potential demand for affordable senior housing in the State of Minnesota. In the past, older adults and seniors with moderate and low incomes were primarily assisted through the following housing programs: HUD Section 8 and HUD Section 202. Some additional programs such as the Low-Income Housing Tax Credit Program (LIHTC) were utilized for some properties in the mid-to late 1990s or have been used very intermittently in some locations in the State. Other programs that have been put in place to assist moderate-income older adults and seniors include programs that are financed and operated through local County HRAs including Dakota, Carver, Scott and Washington Counties in the Twin Cities Metro Area. Rural Development's 515 program has also provided assistance for the development of senior housing in greater Minnesota. Rural Development programs are not available for urban areas such as the Twin Cities 7-County Metro (except on the very fringes).

Scope of Services

The scope of this study includes current estimates of the older adult and senior populations including those age 55+, those age 65+ and age 75+. Those age 75 or older are often in need of additional care services. Information was compiled on the number of senior households that are assisted each year through MN Housing through Section 8 and non-Section 8 properties. In addition, we inventoried the number of Rural Development properties classified as elderly. Many of the HUD properties that were at one time exclusively restricted to people age 62 or older, now accept those 62 years or older and also accept those younger than age 62 that have a proven limitation, either physical or cognitive. Depending on the location of these properties, seniors are more reluctant to locate in properties that are mixed age because they perceive they are more vulnerable.

This report includes information gathered from the following sources:

- U.S. Census Bureau
- Ribbon Demographics
- ESRI Inc.
- Minnesota State Demographer
- USDA – Rural Development
- Department of Housing and Urban Development (HUD)
- MN Housing
- Minneapolis Area Association of Realtors
- Minnesota Department of Health and Human Services
- AARP

OLDER ADULT GROWTH TRENDS

Americans are aging as a society. Despite immigration and a modest increase in the birth rate in recent years, the median age in the US also continues to climb (37.6 years as of 2014). The Baby Boom generation, one of the largest in our Nation's history (people born between 1946 and 1964) are now ages 50 to 68 years. Over the next ten years, this generation will be moving fully into their senior years.

Some facts about the Baby Boom generation:

- The first Baby Boomer turned 65 on January 1, 2011.
- An American turns 50 every 7 seconds which is more than 12,500 people every day according to the US Census.
- More people were age 65 or older in 2010 than in any previous census. The population 65 years or older increased at a faster rate (15.1%) than the total U.S. population (9.7%). (US Census)
- By 2015, those aged 50 and older will represent 45% of the US population (AARP).

Retirement

In the United States, retirement has reached a critical point. Seventy-seven million baby boomers are slated to retire over the next 20 years, with approximately 10,000 reaching retirement age every day, while 401k accounts have been drained by the recession, pension systems are strained and Social Security coffers are being drained of money. The median amount of 401K savings in baby boomer retirement accounts is \$120,000. This would allow for an annual withdrawal of about 4% per year (\$4,800 annually) not to exhaust savings in retirement.

Here are some worrisome facets of the looming U.S. retirement crisis:

The unplanned retirement

Americans have never excelled at retirement planning, but the economic downturn has made them even less prepared. More than 60% of workers in a recent survey said they've lost confidence in their retirement plans since 2007, according to the **Transamerica Center for Retirement Studies**. The survey also found that more than half (54%) of workers in their 60s said they haven't saved enough to sustain themselves for the rest of their life.

A recent report from the **Employee Benefit Research Institute** (EBRI) found similar results. Just 14% of those surveyed were very confident they will have enough money to live comfortably in retirement. Even more shocking? Sixty percent of workers reported that the total value of their households' savings and investments (not including the value of their homes and any official retirement benefit plans) was less than \$25,000.

The 80-year-old worker

Though 65 is considered the official retirement age in the United States (the year someone born in 1947 or earlier is eligible to receive Social Security benefits), the reality is much different. Eighty-six percent of workers in their 60s predict they will work past age 65, according to the Transamerica report. And one quarter of middle-class Americans plan to delay retirement until they are at least 80 years old (current life expectancy in the U.S. is 78), according to a Wells Fargo poll in November 2013. Essentially, 25% of Americans are planning to work until they die.

Too sick to retire

According to a recent report from Fidelity Investments, a 65-year-old couple this year would need an estimated \$240,000 to cover medical costs through retirement (and that is including traditional Medicare coverage), a 50% increase since Fidelity first did the study in 2002, and up from \$230,000 last year.

At the same time, most people have no idea how much they need to save for medical costs in old age. In a Nationwide Financial survey, boomers guessed they would need about \$5,600 a year to cover out-of-pocket costs (or about \$112,000 in total), less than half of the Fidelity Investments estimate. Many of those interviewed in the survey reported being "terrified" of what health care costs may do to their retirement plans.

A program in peril

The latest annual trustees' report for Social Security projected that the program's trust fund will be exhausted by 2033, three years earlier than last year's estimate. When the fund runs dry, the government will be able to pay only 75% of the promised benefits to retirees. Meanwhile, the Medicare trust fund will be exhausted by 2024, according to the report. The main reason for the accelerated timeline is the sluggish economy and high unemployment, causing total earnings in 2011 to be 1.6% less than expected. "Lawmakers should address the financial challenges facing Social Security and Medicare as soon as possible," the report said.

In a study prepared for the Bipartisan Policy Center in March 2012, "Demographic Challenges and Opportunities for the US Housing Market," the analysis identifies that "the sheer size of the Baby Boom generation means that a large increase in the absolute numbers of seniors facing housing affordability and independent living challenges is inevitable. Aging is likely to pose special housing challenges for renters, minorities and rural Americans." The study also acknowledged that affordability is a serious problem for seniors, especially for renters. According to a U.S. Department of Housing and Urban Development (HUD) report to Congress earlier this year, 1.33 million elderly renters (where the householder or spouse is age 62 or over, with no children under 18 present) had "worst case" housing needs in 2009. This meant that they earned

OLDER ADULT GROWTH TRENDS

less than half of their metropolitan area's median income, received no government housing assistance and either paid more than half their income for rent, lived in severely inadequate housing, or both. Compared to 2007, the number of older renters in this category had increased by 120,000 (10 percent) – a change that the HUD report attributes to fallout from the foreclosure crisis and recession, as shrinking incomes drove increased competition for already scarce affordable housing. Fifty-six percent³ of senior renters spend at least 30% of their income on housing costs. Senior homeowners are not immune from affordability problems either: about 30% of senior homeowners spend at least 30% of their income on housing and 17% pay at least 50% of their income. Even seniors who own their houses free and clear face rising energy costs and, in some locations, rising property taxes.

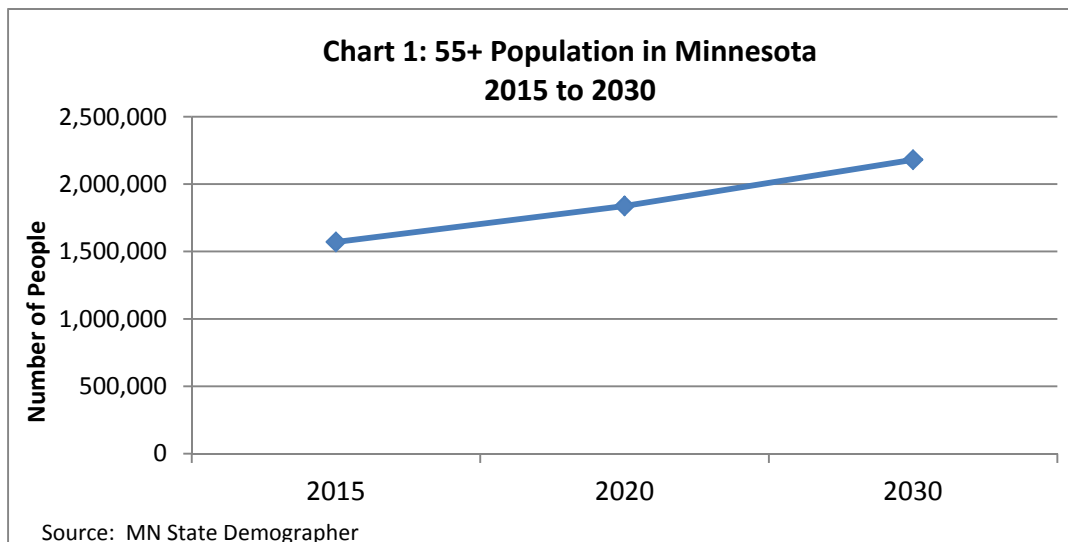
³ US Census: American Community Survey: 2013

Introduction

This section discusses the current population and household estimates for older adults and seniors in Minnesota as of 2014 with projections of this segment to 2020 and 2030 from the Minnesota State Demographer. All counties in the State of Minnesota were tabulated individually.

Total Population – Age 55+

The graph below shows the projected increase in the 55+ population in Minnesota between 2015 and 2030. Older adults in Minnesota are projected to grow from 1.57 million in 2015 to 2.18 million by 2030, an increase of 39%. The total population in Minnesota is expected to grow by 8.9% during this same period (Minnesota State Demographer). The median age of Minnesotans was 37.6 years (Census: American Community Survey-2013).



Older Adult (55+) Population and Household Estimates

Table 1 shows the projected total 55+ population by age cohort in 2015 and 2030. Table 2 shows the projected growth by age cohort in Minnesota between 2015 and 2030. The data is shown for the 7-County Metro Area, Greater Minnesota and the State.

Table 1 and the accompanying chart shows the total 55+ population by age cohort in 2015 and 2030. The data shows that the 55 to 64 population will continue to move through each of the successive age cohorts from 2015 to 2030. As of 2015, there will be an estimated 726,742 people. The significant number of people in this age cohort will affect growth in each successive cohort moving forward to 2020, 2025 and 2030.

MINNESOTA SENIOR GROWTH TRENDS AND DEMOGRAPHIC CHARACTERISTICS

TABLE 1
TOTAL POPULATION (55+) BY AGE COHORT
2015 and 2030

	Total Population							
	55-64		65-74		75-84		85+	
	2015	2030	2015	2030	2015	2030	2015	2030
7-County Metro	381,422	385,647	224,312	414,075	118,493	292,627	44,588	66,608
Greater Minnesota	345,320	234,351	224,717	215,079	117,085	121,423	72,632	81,335
Minnesota	726,742	619,998	449,029	629,154	235,578	414,050	117,220	147,943

Source: Minnesota State Demographer

Chart 2: Total Population (55+) by Age Cohort
2015 and 2030

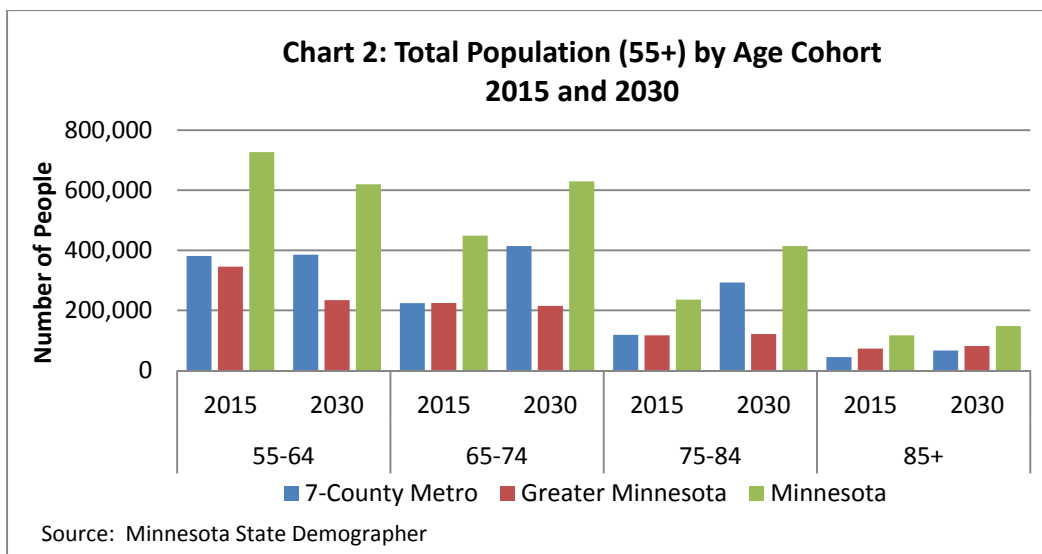


Table 2 shows the projected growth in the 55+ population between 2015 and 2030 by geographic areas including Twin Cities Metro, Greater Minnesota and Minnesota as a whole.

TABLE 2
GROWTH IN POPULATION (55+) BY AGE COHORT
2015 to 2030

	Growth in Population (2015 to 2030)		
	7-County Metro	Greater Minnesota	Minnesota
55 to 64	4,255	-110,999	-106,744
65 to 74	189,763	9,819	199,582
75 to 84	174,134	8,461	182,595
85+	22,020	9,844	31,864

Source: Minnesota State Demographer

MINNESOTA SENIOR GROWTH TRENDS AND DEMOGRAPHIC CHARACTERISTICS

Table 2 shows that the majority of the “growth” is expected to be concentrated in the 7-County Metro Area over the next 15 years. Greater Minnesota is expected to experience a decline in the number of people age 55 to 64 over the next 15 years as the baby boomers will be followed by the “baby bust” generation, a period of much lower births (1965 to 1980).

Table 3 shows the counties in the Twin Cities Metro Area and in Greater Minnesota with the highest number of older adults 55+ counties with more than 20,000 people. Data is for 2015 and was compiled from information published by the Minnesota State Demographer. Information for 2015 was reviewed along with total population estimates for 2013 from the State Demographer and from 2010 Census data. These counties represent some of the largest in the State. Many of these counties are in the Twin Cities Metro, but there are several counties that are in Greater Minnesota including St. Louis, Olmsted, Ottertail, Crow Wing and Stearns.

	Pop. 55+	% of Total Pop
Hennepin	307,854	25.1%
Ramsey	136,836	25.3%
Dakota	109,205	26.2%
Anoka	89,743	25.8%
Washington	70,234	27.3%
St. Louis	69,016	34.3%
Olmsted	41,469	27.0%
Stearns	40,327	26.4%
Wright	32,705	24.9%
Scott	31,421	21.8%
Ottertail	23,731	40.8%
Crow Wing	23,619	37.0%
Carver	23,432	23.6%
Total/Average	999,592	28.1%
Minnesota	1,528,569	27.8%

Source: Minnesota State Demographer

Of those with the largest older adult populations, Ottertail’s 55+ population accounts for nearly 41% of the total population in that county. Ottertail is followed by Crow Wing County with its 55+ population accounting for 37.0% of its total population. The population in Minnesota age 55+ accounts for nearly 28% of the total population.

Table 4 shows the estimated number of older adults 55 years or older located in counties where the 55+ population accounts for 40% or more of the total population of the county. Nineteen counties in Minnesota have 55+ populations that exceed 40% of the total population. Most are located in Greater Minnesota.

TABLE 4		
Estimated Number of Older Adults 55+ Populations 40% or more of Total 2015		
		% of
	Total 55+ Pop	Total Pop
Aitkin	8,481	52.4%
Cook	2,438	47.1%
Lac Qui Parle	3,210	46.1%
Big Stone	2,334	46.0%
Lake of the Woods	1,768	45.7%
Lake	4,765	44.5%
Murray	3,681	43.5%
Kittson	1,966	43.7%
Traverse	4,578	43.2%
Cass	12,388	42.6%
Pope	1,486	41.6%
Lincoln	2,457	41.9%
Koochiching	5,431	41.0%
Hubbard	8,824	41.8%
Faribault	5,860	41.9%
Grant	2,482	40.9%
Ottertail	23,731	40.8%
Norman	2,679	40.7%
Martin	8,205	40.3%
Total/Average	106,764	43.5%
Minnesota	1,528,569	27.8%

Source: Minnesota State Demographer

According to the State Demographer, the number of Minnesotans that will turn 65 in this decade is greater than the number that has turned 65 in each of the past four decades. A total of 285,000 people are projected to turn 65 between 2010 and 2020.

By 2020, the number of people age 65 or older in Minnesota will eclipse the age groups 5 to 17 years (K-12 population) for the first time in Minnesota’s history.

In addition, the number of older adults age 65+ is expected to double between 2010 and 2030. By 2030, one in five (or effectively 20% of the total population) Minnesotans will be age 65 years or older, including all of the baby boom generation. By comparison, the proportion of people in Minnesota age 65 years or older as of 2010 Census, compared to the total population was almost 13%. Over the next 20 years, the proportion of people 65+ in Minnesota will increase by seven percentage points.

MINNESOTA SENIOR GROWTH TRENDS AND DEMOGRAPHIC CHARACTERISTICS

At this time, multifamily housing programs funded by MN Housing currently serve 19,600 older adult (62+ households) in Minnesota⁴. As of 2010, Minnesota had 443,625 households age 65 years or older accounting for 21% of all households in the State.

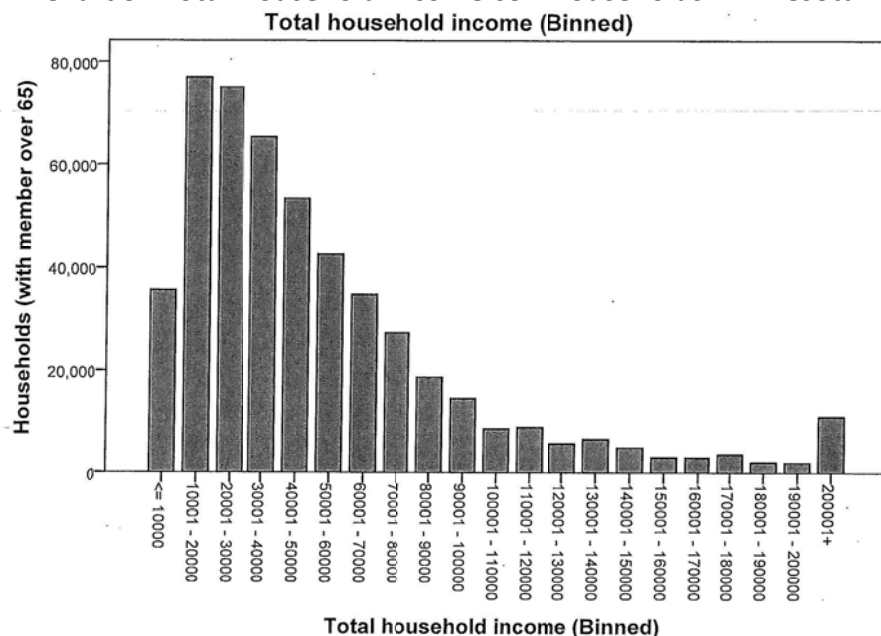
Median Incomes and Income Ranges of Older Adults in Minnesota

According to data from the US Census (American Community Survey), the median household income of seniors has changed little and remains at about \$37,400 in 2013 inflation-adjusted dollars. According to AARP, three in ten older Minnesotans age 65+ (30%) live solely on Social Security.

Some older adults can utilize the proceeds from their single-family homes to support their housing costs if they decide to relocate to age-restricted housing. If they have already sold their homes or have never owned a home, those funds may be already depleted as housing costs have increased or they may not have the resources to afford market rate housing and are residing in some type of assisted housing.

Calculating the number of 65+ households that would be living entirely on Social Security payments results in approximately 133,088 of the total number of 65+ households as of the 2010 Census which was 443,625. Social Security makes up 50% or more of the income for 61% of households age 65+ in Minnesota.⁵ Social Security has made it possible for 45% of older adults 65+ to not fall into poverty.

Chart 3: Total Household Income 65+ Households-Minnesota



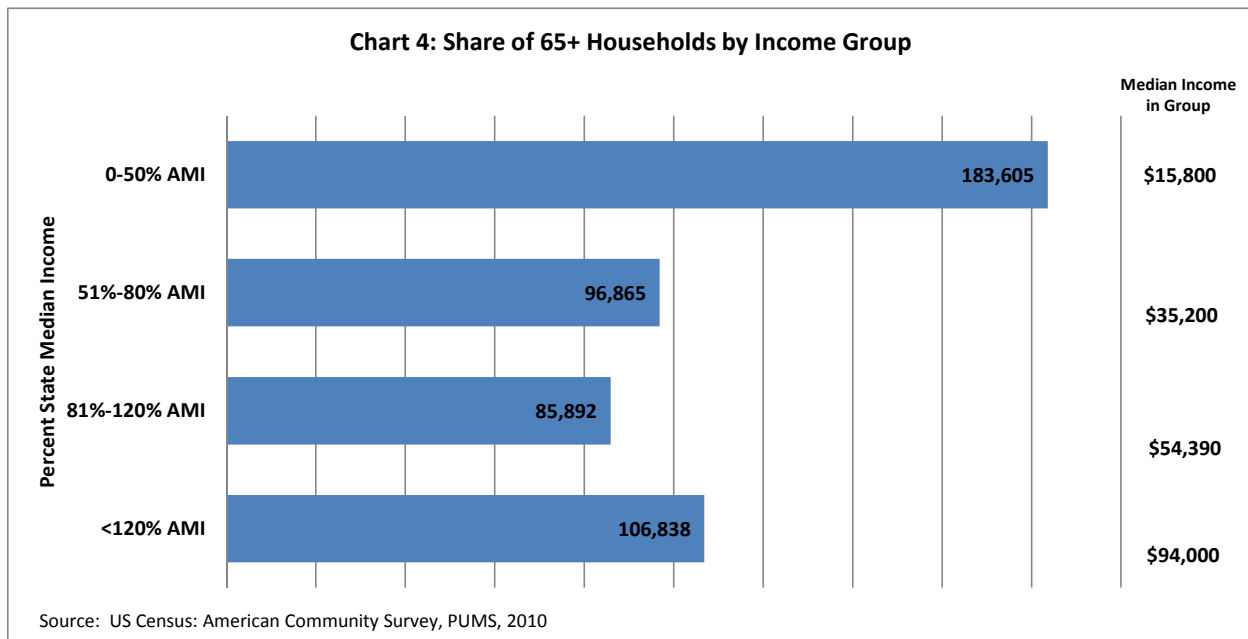
Source: ACS PUMS 2012, includes households with member age 65 and older. Does not include group quarters. Cases weighted by Household weight

⁴ MN Housing, Housing Assistance for Older Minnesotans, Fall 2012

⁵ 2011 ACS Percent of Income from SS-SPSS calculation by AARP Research for Minnesota.

MINNESOTA SENIOR GROWTH TRENDS AND DEMOGRAPHIC CHARACTERISTICS

As of 2012, the income range of older adult households age 65+ or older shows a definite weighting toward the lower end of the income spectrum. Most households' incomes fall between \$10,000 and \$50,000. The highest numbers of older adult households have incomes between \$10,000 and \$30,000. As shown on the chart below, 39% of households in Minnesota age 65+ have incomes of 50% or less of the state-wide AMI or 183,605 households. This level would enable most household to qualify for shallow-subsidy (50% to 60% of AMI) and deep-subsidy housing (less than 50% AMI).



Older Adult Households (65+ Housing Cost Burdens)

According to Census data, 32% of households in Minnesota age 65+ are housing cost-burdened, meaning they pay more than 30% of their income for housing (American Community Survey, 2013). A portion of older adults that need services are likely to pay more than 30% of their income on housing because of additional cares that they may need due to health issues, disabilities or frailty.

According to 2013 American Community Survey data, 100,037 households age 65+ rented their housing in Minnesota. Among those households, 54% or 54,473 households paid more than 30% of their income on housing. This compares to 47% of non-senior renter households.

In addition to 65+ renter households, there were an estimated 361,165 owner households (65+) in Minnesota as of 2013. Of these, 26% paid more than 30% of their income for housing or 90,986 households. This information shows that more than one-fourth of 65+ homeowners that are living in their own homes are considered to be cost-burdened. MN Housing data also confirms this by stating that 25% of all households age 65 or older have very low incomes and spend more than 30% of their income on housing. One-third of the poorest households over age 65 spend at least 50% of their incomes on housing. Cost burden tends to be more prominent in urban areas because of the higher cost of rental housing.

Current very low rental vacancy rates coupled with rising rents among affordable “all ages” market rate rentals makes it difficult for low and moderate income older adults to afford apartments in the general market; it also makes it difficult for older adults to find housing and housing with appropriate accessibility features which are needed by this group as it ages.

Household Tenure of Older Adults

While higher homeownership rates are generally maintained in more rural counties in the State, these higher homeownership rates often coincide with a lack of alternative housing product or age-restricted housing product available to older adults and seniors in rural communities. Because of the low level of rental housing construction and/or the lack of any new rental housing construction in many communities in Greater Minnesota, general market rate apartments are often older, located in buildings that have no elevator and/or where numerous steps are required to reach upper floor units. If seniors are currently living in a home that has a bedroom on the main floor, there is usually a preference to remain in that home where accessibility is easier than try to relocate to housing which, while it may be affordable, has few, if any features, that target the needs of older households.

By the time older adult households reach age 65, their buying and selling habits of residences are generally in balance, selling as much as buying. However, after age 65, households selling their residences increase exponentially rising from 2% at age 65 to 6% or higher by age 80, according to a study by Myers and Ryu⁶. There is some variation in these rates when location is considered. For example, older adults are more likely to sell in colder climates or high-priced housing states, but then purchase in warmer climate states that have moderate prices. However, in most of the Central Midwest and Upper Midwest states, older adults are less likely to sell or buy between ages 65 to 69. Moving to new housing increases as households age into their 70s and beyond. With the sheer size of the baby boom generation, the number of households that would be selling their homes and either purchasing a smaller home or association-maintained unit or moving directly to rental housing will increase dramatically with the current proportions remaining the same. If however, baby boom households elect to move to rental housing sooner than did their parents (this is already happening now), then the proportion of households moving to rental will rise substantially.

According to Dr. Arthur C. Nelson, PhD, FAICP and director of the Metropolitan Research Center at the University of Utah, about 7% of households 65+ move each year and as people get older, the likelihood that they will move from owning to renting increases to 79% of those that move at age 85 or older elect to rent their housing. This data is based on an analysis completed by Dr. Nelson using data from the American Community Survey (published by the US Census Bureau).

According to the Met Life Mature Institute from their preference survey of households age 55+, 49% want to remain in their homes while 38% want to move to a new home. The Met Life Ma-

⁶ Dowell Myers and SungHo Ryu: *Aging Baby Boomers and the Generational Housing Bubble: Foresight and Mitigation of an Epic Transition*, Journal of the American Planning Association, Vol. 74 No. 1, Winter 2008

ture survey suggests that 38% of households age 55 or older desire to leave their current home for a new residence and coupled with the above research by the Metropolitan Research Center, as they do so, an increasing number of these households are expected to rent rather than own their housing.

Dr. Nelson recently completed a study for the Metropolitan Council titled “Twin Cities Metropolitan Council Area Trends, Preferences and Opportunities: 2010 to 2020, 2030 and 2040.” In this analysis, Dr. Nelson projects a shift in households tenure (owner/renter) rates with declining homeownership rates overall and fueled, in part, by the rapid aging of the population. Homeownership rates are projected to fall in Minnesota from 73% in 2010, to 70% in 2030 and 69 percent by 2040. These rates are projected to be 70%, 68% and 67% for the Metro Area, respectively. There is also expected to be a larger discrepancy between the rates for the central counties (Hennepin and Ramsey) and those of the non-central counties (remaining five counties of the Metro Area). Seniors, age 65+ are expected to account for 58% of the population change between 2010 and 2040. This will break out between 70% for the central counties and 47% for the non-central counties. According to Dr. Nelson, “the aging of existing residents will be a dominant demographic change (in the Twin Cities Metro).”⁷

Data published by MN Housing found that 4% of households age 65 to 74 moved in the last year (2010). That proportion increased to 5% of households age 75 to 84 and to 10% of households age 85+. Over 36,000 households age 65 or older moved in the past year.⁸

Table 5 shows Minnesota counties with the highest proportion of households age 55 and over that are renting their housing. Counties with proportions of 23% or higher were selected. McLeod is the highest at 46%. The proportions drop from there to 28% in Ramsey County and 27% in Carver County followed by a number of counties at 25% and 23%.

⁷ Twin Cities Metropolitan Council Area Trends, Preferences and Opportunities, 2010 to 2020, 2030 and 2040, Arthur C. Nelson, PhD, FAICP, June 10, 2014

⁸ MN Housing, Profile of Older Households in Minnesota, Summer 2012

TABLE 5
COUNTIES WITH THE HIGHEST PROPORTIONS OF RENTER HOUSEHOLDS 55+
2014

		Proportion Renters
1	McLeod	46%
2	Ramsey	28%
3	Carver	27%
4	Hennepin	25%
5	Benton	25%
6	Chippewa	25%
7	Swift	25%
8	Lyon	25%
9	Wadena	24%
10	St. Louis	23%
11	Wilkin	23%
12	Polk	23%
13	Pennington	23%
14	Clay	23%

Source: Ribbon Demographics

The following chart shows the percent homeownership and the percent renting by older age cohort in Minnesota as a whole. This data was compiled by MN Housing from the US Census.

