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ASSISTANT SECRETARY FOR
POLICY DEVELOPMENT AND RESEARCH

Dear Friends:

I am pleased to send you a copy of "Housing Options for the Elderly," the third volume in a new series called Occasional Papers in Housing and Community Affairs. Written by Dr. Irving H. Welfeld, Program Analyst, and Dr. Raymond J. Struyk, Deputy Assistant Secretary for Research in HUD's Office of Policy Development and Research, the book frankly confronts the conflict between the needs of the elderly and the needs of the disadvantaged, and it suggests resolutions.

I think their work is important. Its scholarship is impeccable and its evaluation unbiased.

The editorial services for the volume were provided by the Center for Urban Public Policy Analysis, The American University, Washington, D.C. 20016. Comment, which will be welcome, should be addressed to the Editor at the Center.

Sincerely,

Donna E. Shalala

CONTENTS

Page

Section 1: Introduction.................................. 1

Section 2: A Profile of the Elderly and Their Housing.... 7

Population and Income.................... 7

Location.................................13

Housing Characteristics..................16

Section 3: The Federal Response: Strengths and Weaknesses..35

Historical Perspective...................35

Present Participation by the Elderly in Federal Housing.....................37

Present Status of Housing Starts for the Elderly...........................47

The Elderly's Share......................47

Section 4: Options to Serve the Elderly Better...........63

Appendix A: Adequacy of Housing Occupied by the Elderly...87

HOUSING OPTIONS FOR THE ELDERLY

by

Irving Welfeld
Raymond J. Struyk

SECTION 1: INTRODUCTION

The Dilemma

The Department of Housing and Urban Development (HUD) presently faces a serious dilemma in meeting the housing needs of the elderly. It is caught in the middle between interest groups representing the elderly and those representing younger people, all of whom criticize HUD's efforts as inadequate for their needs. Given its relatively fixed housing budget, HUD is at the point where gains for one group are achieved only at the expense of another. One author has observed.

> The United States is...set on a collision course between the promises it has made to its older citizens and its commitments to special-interest groups, other minorities which individually are much less numerous and politically hardly more powerful, though more visible and more vocal. It is not very likely that the promises to both groups can be honored. To do so would mean a social welfare expenditure 50 to 60 percent higher than that of 1975. Even if the economy grows very fast, the welfare expenditures would grow much faster; by the early eighties, if we continue on the present course, welfare expenditures alone without a penny spent on all other needs...would take half...of a substantially larger GNP.[1]

The views expressed in this paper are those of the authors and not necessarily those of the Department of Housing and Urban Development. The authors wish to thank the following people for comments on the first draft: Beth Soldo, Morton Isler, M. Powell Lawton, and Morton Leeds. The paper was carefully edited by Barbara Fischel.

Because of the tension between these groups, HUD's housing assistance for the elderly is criticized as being both inadequate and too generous. The lead in a recent newspaper article, for example, stated:

> So massive is the nation's senior citizen housing crisis that if we began today to provide minimal living quarters at the rate of 200,000 units a year, it would take until 1987 just to meet the current needs.[2]

A congressional report concluded, "The amount of government assistance to housing is inadequate to meet the longstanding goal of a decent home for every American. This inadequacy is particularly noticeable in the case of the elderly... "[3] The title of another report--"Elderly Housing Overview: HUD's Inaction"--needs no comment.[4]

Although one author[5] gives HUD credit for housing for the elderly built under the public housing, Section 202, and Section 8 programs, he also notes that the very success of these programs creates demands that cannot be met for many decades. The report further notes that new rental structures for the elderly built primarily in urban areas are not responsive to large segments of the elderly who do not wish to move, do not wish to give up ownership status, or do not reside in urban areas.

One can also argue, however, that the elderly are getting more than their fair share of housing dollars when the competition for limited resources is considered. The elderly represent a rising proportion of total occupants of HUD's public housing program in recent years. In 1976, 44 percent of public housing apartments were occupied by the elderly.[6] Activity under the Section 8 Housing Assistance Payments Program--the most rapidly growing major subsidized program HUD operates--is weighted heavily toward the elderly.[7] About two-thirds of all Section 8 reservations and starts for new units during FY 1977 were for housing for the elderly. Over 63 percent of gross reservations were for the elderly. Slightly over 50 percent of the existing housing under Section 8 was occupied by the elderly.

At the same time, at least one report questions the priority placed on housing for the elderly in the Baltimore area under prior programs and especially its impact on the conservation of existing housing stock.

> There appears to be something of a mismatch between the types of units currently being developed and those types most urgently required. In part due to cost limitations and other restrictions governing the development of public housing,...a significant proportion of the total subsidized new construction effort of recent years has been directed toward the provision of housing for the elderly...
>
> While these units are undoubtedly superior in quality to the residences of most low-income elderly persons, and while the projects are usually designed to promote opportunities for efficient delivery of housing-related services, there is a serious question as to whether housing of this type warrants the level of priority which is implicit in the current pattern of development. According to the findings on physical quality of dwelling units...the elderly rarely reside in seriously substandard housing. Furthermore, many private landlords whom we interviewed felt strongly that they were capable of housing the low-income elderly satisfactorily. Some of them voiced the complaint that the city was taking away their most desirable tenants--people who take good care of the property.[8]

Hence, both the volume and type of assistance provided under existing programs are controversial--and the clamor for new initiatives continues.

Recognizing Diversity

Regardless of the resources ultimately available to assist the elderly, a discussion of the housing of the elderly must begin with an understanding of how their housing needs differ from those of other Americans. It is, of course, the characteristics of the aged and how they change over time that determine their special housing needs. Several circumstances of the elderly are important in this regard. One is that during the period of retirement the person will likely have a low income; it is extremely important to distinguish, however, between the chronically poor elderly--generally those with little accumulated wealth--and those for whom retirement means an income reduction but retention of assets, typically in the form of home equity. Especially distinctive of the aged is the probability that the problem of low income will be compounded by health problems which will result in a reduced level of activity.

Second, changes in household composition typically occur at one or more points as children establish their own homes or a sibling or spouse dies. Such changes can also bring reductions of income with them, as when social security benefits are reduced with the death of a spouse. Third, because the retirement period is long--a person age 65 has an average life expectancy of 14 years--changes of the type just noted will touch most of the aged. This leads to the final characteristic, namely, that these changes in economic circumstances, household composition, and health place economic and psychological pressure on the household to alter the housing services it consumes. Further, since the changes will generally not occur simultaneously, they create incentives for the aged to modify their housing, possibly several times between retirement age and death.

These characteristics clearly shape the housing needs of the aged. Because of the increased time they spend at home, housing--including the physical structure and the social and other neighborhood amenities associated with the dwelling--is an even more important focus of the lives of the elderly than of others.

There are important qualitative differences, as well, in the housing needs of the elderly, stemming from the decline in their mental and physical abilities. First, they are forced to purchase many housing-related services that other households of similar incomes and composition are generally capable of providing for themselves. Depending on the degree of impairment and available support within the home and from friends and other family members, chore and housekeeping services, at-home health care, personal care, meal preparation, and transportation services may be purchased or sought from public agencies. Second, the structural housing needs of the elderly are also altered by impairment; necessary changes range, for example, from minor alterations such as removal of thresholds, to the more formidable requirement of having all needed services on a single level. In addition, the aged person may feel the need for a physical environment that provides effective personal security or a social environment providing frequent contact with other senior citizens.

Thus the housing needs of the elderly, like those of other households, are determined by the characteristics of the household members. For the elderly, however, the "bundle" of housing and housing-related services sought often differs from that of the nonelderly, and the bundle best suited to their needs can be expected to shift at several points after retirement as the household and the economic and health conditions and attitudes of its members change. Hence, adjustments in the housing bundle are to be expected, some involving a change of dwelling, some not.

Past discussion of the housing situation of the elderly has been limited because it considers each of a host of closely related issues piecemeal. At times the emphasis has been on the gap between the cost of adequate housing and the ability of the elderly to pay for such housing using a reasonable portion of their incomes. At other times, the issue has centered on the process of household adjustments to changes in income at retirement, or household composition (e.g., death of a spouse) in later years. Other discussions debate the merits of institutionalized versus home care. And so it continues. This policy review attempts to consider the housing needs of the elderly in a manner that builds on the obvious diversity of their housing needs.

Overview

This paper discusses ways to resolve the conflict between the needs of the elderly and the needs of the disadvantaged. Section 2 presents the current housing situation for the elderly--major demographic, income, location, and housing features; tenure patterns; housing quality; and housing expense burdens. In particular, it compares the situation of the elderly poor with that of the elderly in general and of younger age groups.

Section 3 assesses HUD's present approach to meeting the housing needs of the elderly. It presents a short history of present programs and discusses whether the elderly are getting their fair share. It also looks at areas where HUD's performance could be improved.

Section 4 begins by succinctly drawing general conclusions from the previous sections. It then presents options that would permit HUD to better serve the elderly by modifying existing programs or by designing new programs. Most of the new programs emphasize assisting elderly homeowners inexpensively. They include:

- a program to foster construction of condominiums in markets where single-family housing is in short supply. The homeowner uses the equity in his current residence for capital cost, and the government's assistance is limited to a modest subsidy for operating expenses.

- a Section 8 homeownership program, applicable only to operating expenses.

- a Federal guarantee coupled with reverse annuity mortgages to protect households with extreme longevity.

- maintenance assistance in the form of delivered services rather than the cash with which to purchase services. This option is based on the observation that elderly homeowners use but little of income increases for improved maintenance.

Two other programs are presented: one to help single male elderly individuals in rooming house type facilities, and the other to allow the rural elderly to live near their children.

SECTION 2: A PROFILE OF THE ELDERLY AND THEIR HOUSING

This section marshals a host of facts and data about the economic situation and housing circumstances of American households headed by persons 65 years of age or older. Throughout much of the discussion, distinctions are drawn between homeowners and renters on the one hand and families and single-person households on the other. It is only by examining these separate groups that the necessary building blocks for policy considerations can be developed.

Population and Income

All Elderly

Persons 65 years and over comprised nearly 10 percent--20.1 million people--of the total U.S. resident population in 1970 (table 1). In 1960, 16.6 million elderly people lived in the United States.

Over 91 percent of the elderly are white, 8 percent black, and less than 1 percent from other races. Women comprise 11.6 million (58 percent) of the total, and 8.4 million (42 percent) are men. People aged 65 to 74 accounted for 62 percent of the elderly, those aged 75 to 84 for 30 percent, and those 85 and over for 8 percent. The "aging" of the older population is expected to continue into the near future. This distribution is fairly constant for both whites and "other" categories, but the black elderly are slightly younger.

The rising number of the "old elderly," i.e., those over age 74, points to an increase in the number of "fragile" elderly in the population, given the high correlation between age and functional impairments. Good data on the relationship among income, housing quality, and such impairments are generally lacking so that separate breakouts are not presented in table 1. Nevertheless, those with such impairments can be cited as being especially at risk and often in particular need of housing as well as other assistance.

The Elderly Poor

In discussing incomes of the poor, as reported in the standard statistical sources, it is important to be aware of the data's limitations. First, they are for a particular time; hence, one gets an inaccurate picture of the status of those whose incomes

TABLE 1

TOTAL U.S. POPULATION BY SELECTED AGE GROUPS, RACE, AND SEX[a]
(000)

Age Group	Total	White			Black			Other		
		Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	203,212	177,749	86,721	91,028	22,580	10,748	11,832	2,883	1,443	1,440
Under 55	164,557	142,607	71,117	71,490	19,414	9,333	10,081	2,535	1,253	1,282
55-64	18,590	16,812	7,958	8,853	1,607	739	868	172	96	76
65-74	12,435	11,281	4,916	6,366	1,043	461	582	111	61	51
75-84	6,119	5,672	2,243	3,429	399	169	230	48	24	24
85 and over	1,511	1,377	487	890	117	46	71	17	9	7

[a]Based on 1970 Census.

SOURCE: Department of Housing and Urban Development, 1971 White House Conference on Aging--Housing, table 1, p. 1.

are unusually high or low at the time of the survey. Second, they generally ignore the value of in-kind transfers; hence, the value of medicare, food stamps, and housing assistance is not counted. Third, income, especially that from hard-to-verify sources such as contributions by family members, is widely underreported. Finally, the imputed value of income from low-income producing assets is excluded. The most important omission in this class is the value of equity in the home, although other forms of worth are important but less frequently so.[9] One theme of this paper is the need to distinguish program approaches on the basis of assets as well as income position. This section discusses income here and home equity holdings later.

The median income of the elderly in 1975, as shown in table 2, was $8,057 for families and $3,311 for individuals. For households aged 25 to 64, the respective medians were $15,332 and $7,441. Hence, the median income of elderly families and unrelated individuals was 53 and 44 percent, respectively, of their younger counterparts in 1975. For both groups the incomes of the elderly in relation to the nonelderly have increased steadily in the past decade, due largely to amendments to the Social Security program.

In 1969, 5.2 million elderly persons were classified as poor (table 3).[10] They represented 27 percent of all elderly people and 19 percent of all poor people. Eighty-three percent of the elderly poor were white, and approximately 17 percent were black or of Spanish origin. If an individual was white and old, the likelihood was about 1 in 4 that his or her income would be below the poverty level. For blacks, the likelihood was 1 in 2, and for those of Spanish origin, 1 in 3.

By 1975 the elderly population had increased in size to 21.6 million, but the number of elderly persons below the poverty level had decreased to 3.3 million (15 percent of all elderly, 13 percent of all poor).[11] (See also table 4.) Whites in 1975 constituted 79 percent of the elderly. But, as in 1969, poverty rates were considerably higher for black and Spanish households. In 1975, 13 percent of the white elderly, 36 percent of the black elderly, and 33 percent of the Spanish elderly were poor.

In addition to race, poverty varies considerably by family status and sex of the head of the household. Those living in families benefit from the pooling of resources and the presence

TABLE 2

MEDIAN INCOME IN CONSTANT 1975 DOLLARS
FOR FAMILIES AND UNRELATED INDIVIDUALS, BY AGE
1970 TO 1975[a]

	Families			Unrelated Individuals		
	Head,	Head, 65+ Years		Head,	Head, 65+ Years	
Year	25-64 Years	Amount	As Percent of 25-64	25-64 Years	Amount	As Percent of 25-64
1975	$15,332	$8,057	52.6	$7,441	$3,311	44.5
1974 (revised)	15,824	8,191	51.8	7,460	3,257	43.7
1974	15,730	7,965	50.6	7,291	3,226	44.2
1973	16,365	7,783	47.6	7,751	3,300	42.6
1972	15,962	7,678	48.1	7,336	3,084	42.0
1971	15,182	7,247	47.7	7,310	2,922	40.0
1970	15,151	7,004	46.2	7,321	2,704	36.9
Change 1970-1975	181	1,053	6.4	120	607	7.6

[a]All medians were adjusted for changes in the cost of living and are shown in 1975 dollars.

SOURCE: Department of Health, Education, and Welfare, Income and Poverty Among the Elderly: 1975 (April 1977), table A, p. 3.

TABLE 3

THE ELDERLY POOR BY RACE--
THOSE WITH INCOME BELOW THE POVERTY LEVEL
1969

	Elderly Poor (000)	Percent of All Elderly for Ethnic Group Who Are Poor	Distribution of Elderly Poor Among Ethnic Groups
White	4,415	25	83
Black	757	49	14
Spanish origin	133	34	3

SOURCE: 1970 Census of Population, Low Income Population.

TABLE 4

PERSONS BELOW THE POVERTY AND NEAR-POVERTY LEVELS, BY AGE (000) 1970 TO 1975[a]

Year	Below Poverty Level			Below Near-Poverty Level		
	Under 60	60+	65+	Under 60	60+	65+
1975	21,504	4,373	3,317	30,173	7,009	5,495
1974 (revised)	19,358	4,012	3,085	27,036	6,630	5,228
1974	20,035	4,225	3,308	27,734	6,881	5,473
1973	18,563	4,410	3,354	25,819	7,009	5,522
1972	19,597	4,863	3,738	27,400	7,253	5,730
1971	20,098	5,461	4,273	28,616	7,885	6,274
1970	19,564	5,856	4,709	27,548	8,076	6,529

[a]Numbers exclude inmates of institutions, members of armed forces in barracks, and unrelated individuals under 14 years. Data are from surveys taken during March of the following year.

SOURCE: Department of Health, Education, and Welfare, Income and Poverty Among the Elderly: 1975 (April 1977), table C, p. 5.

of a male, who formerly earned a higher income and therefore presently receives higher social security benefits. The poverty rate of elderly unrelated individuals (usually women, given their greater longevity) was three times larger than that for elderly families--31 percent versus 9 percent.

Location

All Elderly

In 1970, 63 percent of all elderly lived in metropolitan areas; 37 percent lived outside metropolitan areas (table 5). Of those within metropolitan areas, 35 percent lived in cities and 28 percent lived outside central cities. Of the 37 percent living in nonmetropolitan areas, 16 percent lived in urbanized areas, 17 percent lived in nonfarm rural residences, and 4 percent lived on farms.

Since 1970 the net shift of the elderly out of the cities has continued so that in 1975, 33 percent of the elderly lived in cities and 30 percent lived in the suburbs. While the elderly population in nonmetropolitan areas has grown numerically, the share residing there--37 percent--has stayed the same. In a comparison of nonelderly with elderly households, the elderly are overrepresented in central cities and nonmetropolitan areas, and underrepresented in the suburbs.

On a regional basis, very little disparity exists between the percentage of elderly households and the percentage of households under 65 (table 5). In the Northeastern, North Central, and Southern regions, the elderly are slightly overrepresented (but by less than 2 percent); in the Western region, they are underrepresented.[12]

The Elderly Poor

The elderly poor are distributed differently than the general elderly population as a whole (table 6). The poor are underrepresented in metropolitan areas and overrepresented in nonmetropolitan areas. While 36 percent of the elderly lived in nonmetropolitan areas, 48 percent of the elderly poor lived there. Within nonmetropolitan areas the elderly poor are found primarily in small towns (rural nonfarm areas). The incidence of the elderly poor is greater in small towns than in other areas: 42 percent of the elderly in small towns are poor, 26 percent on farms, 24 percent in central cities, and 18 percent in the suburbs.

TABLE 5

LOCATION OF ELDERLY AND NONELDERLY HOUSEHOLDS

	1975 Households 65 and Over (Percent)	1970 Households 65 and Over (Percent)	1975 Households under 65 (Percent)
Total	100.0	100.0	100.0
Metropolitan areas	63.1	63.2	69.8
Central cities	33.1	35.1	30.9
Not in central cities	30.0	28.1	38.9
Outside metropolitan	36.9	36.8	30.2
Total--regions	100.0	100.0	100.0
Northeast	23.8	25.2	22.5
North Central	27.6	28.6	26.5
South	32.4	30.4	31.7
West	16.2	15.8	19.3

SOURCE: 1975 Annual Housing Survey, Part A, General Housing Characteristics, tables A-1, B-1, C-1, D-1, E-1.

TABLE 6

LOCATION OF THE ELDERLY AND ELDERLY POOR
(000)
1970

	Elderly	Percent of All Elderly	Elderly Poor	Percent of All Elderly Poor	Poor as Percent of Elderly in Region
Total	19,113	100.0	5,221	100.0	27.3
Metropolitan	12,269	64.2	2,720	52.1	22.2
Center city	6,555	34.3	1,576	30.2	24.0
Outside center city	5,714	29.9	1,144	21.9	20.0
Urban	4,472	23.4	803	15.4	18.0
Rural nonfarm	1,073	5.6	309	5.9	28.8
Rural farm	169	0.9	32	0.6	18.8
Nonmetropolitan	6,844	35.8	2,501	47.9	36.5
Urban	2,914	15.2	957	18.3	32.8
Rural nonfarm	3,206	16.8	1,356	26.0	42.3
Rural farm	724	3.8	188	3.6	26.0

SOURCE: 1970 Census of Population, Low-Income Population, (1973), table 1.

The same general pattern prevails for elderly blacks, although the incidence of poverty is much greater. Thus, 69 percent of the black elderly in small towns are poor, 58 percent on farms, 41 percent in central cities, and 45 percent in the suburbs.[13]

Residential Mobility

Compared with younger age groups, the elderly are a sedentary group. The elderly--especially homeowners--are not likely to move very often, and, if they do move, the likelihood of an interstate move is low.

The 1970 census reported a strong positive correlation between the age of the head of a household and the likelihood that the household did not move within the previous 5 years (table 7). The likelihood of long-term residence also depends largely on whether occupants own or rent.

Housing Characteristics

The elderly comprise only 10 percent of the population, but they constitute 20 percent of all households. In 1975 over 14 million households were headed by an elderly person. Only 5 percent of the elderly are institutionalized or live in other types of group quarters. Two percent of all households have an aged person living with a young family.[14] Although the elderly report a preference for residing near an adult child and maintaining contact with their kin, they prefer, barring bad health, not to live with them. All the current evidence suggests that the elderly can and do achieve both goals. The overwhelming majority of the elderly maintain their own households and live close enough to their relatives to visit them often.[15]

Tenure Patterns

Homeownership is widespread among the elderly. Seventy percent of all elderly households reside in their own homes, and 82 percent of all elderly married couples live in their own homes. It is also the predominant tenure arrangement among single elderly women (table 8).

The elderly represent 21 percent of all homeowners and 17 percent of all renters. In the latter category they represent 9 percent of the multi-person households and 33 percent of the single-person households.[16]

TABLE 7

PERCENTAGE OF HOUSEHOLDS LIVING IN SAME DWELLING
IN 1970 AND IN 1965

Age of Head	Percent in Same Residence 5 or More Years	
	Owners	Renters
Under 25	16	4
25-29	19	9
30-34	38	19
35-44	60	31
45-64	78	45
65 and over	86	57

SOURCE: 1970 Census of Housing, Mover Households (1973), table A-2.

TABLE 8

OCCUPANCY AND TENURE STATUS
OF HOUSEHOLDS HEADED BY THE ELDERLY

	Total (000)	Percent Owner
Multiperson household	7,868	79.8
Husband-wife family	6,257	82.0
Family headed by male without spouse present	349	71.9
Family headed by female	1,262	71.5
Single-person household	5,883	56.3
Male	1,317	48.4
Female	4,566	58.5

SOURCE: 1975 Annual Housing Survey, Part A, General Housing Characteristics, table A-1.

From 1970 to 1975 the number of elderly households rose from 12.4 million to 14.4 million (table 9). The most significant increases occurred in single-person households. For owner-occupied houses, single-person households increased 29 percent --from 2.7 million to 3.5 million--and from 32 to 35 percent of all elderly homeowners. Multiperson elderly households (owner-occupied) also increased by 16 percent--from 5.7 million to 6.6 million.

In 1975 single-person households represented 43 percent of all elderly households. From 1970 to 1975 single-person renter households increased by 19 percent--from 2.3 million to 2.7 million--and from 57 to 63 percent of all elderly renters. In contrast, multiperson elderly renter households declined by 8 percent--from 1.7 million to 1.6 million. During the same time, the number of nonelderly homeowners increased by 16 percent, while renter households increased by 9 percent.

Tenure of the Elderly Poor

The majority of poor elderly households are homeowners as well. The 1975 Annual Housing Survey[17] shows 3.3 million poor elderly households, of whom 1.9 million are homeowners and 1.4 million are renters (table 10).[18] Six out of ten poor elderly homeowners and eight out of ten poor elderly renters are single-person households.

The pattern for the elderly contrasts sharply with that for younger people. Two out of every three poor nonelderly households are renters. Single-person households also make up a much smaller percentage of the totals (21 percent of homeowners, 27 percent of renters).

The elderly represent 35 percent of all poor households. They represent 45 percent of the poor homeowners and 26 percent of the poor renters. Table 10 indicates that the percentages are much higher among single-person households than among multiperson households. Thus, single-person poor elderly households represent 71 percent of all poor single-person homeowners and 52 percent of all poor renters, while multiperson poor elderly households represent only 29 percent of all homeowners and 9 percent of all renters.

TABLE 9

TENURE STATUS OF THE ELDERLY
1970 TO 1975

	1970		1975		Number Change	Percent
	Number (000)	Percent of Total	Number (000)	Percent of Total	70-75 (000)	Change 70-75
Owner occupied	8,362	67.5	10,080	70.1	1,718	20.5
Multi-person	5,674	45.8	6,600	45.9	926	16.3
Single person	2,688	21.7	3,480	24.2	792	29.5
Renter occupied	4,017	32.5	4,302	29.9	285	7.1
Multi-person	1,738	14.0	1,599	11.1	(139)	(8.0)
Single person	2,279	18.4	2,703	18.8	424	18.6
Total	12,379	100.0	14,382	100.0	2,003	16.2

SOURCE: 1975 Annual Housing Survey, Part A, General Housing Characteristics, table A-1.

TABLE 10

TENURE PATTERNS OF THE POOR
1975

	Elderly (000)	Non-elderly (000)	Total	Elderly as Percent of Total
Homeowners				
2 or more persons	731[a]	1,769[b]	2,500	29.2
1 person	1,125[c]	465[d]	1,590	70.7
Total	1,856	2,234	4,090	45.4
Renters				
2 or more persons	276[a]	2,843[b]	3,119	8.8
1 person	1,123[c]	1,043[d]	2,166	51.8
Total	1,399	3,886	5,285	26.5
Total	3,255	6,120	9,375	34.7

[a] Assumes poverty threshold for 2-person household is $3,232.
[b] Assumes poverty threshold for 3-person household is $4,269.
[c] Assumes poverty threshold is $2,572.
[d] Assumes poverty threshold is $2,791.

SOURCE: 1975 Annual Housing Survey, Part C, Financial Characteristics of the Housing Inventory, table 1.

Quality of Housing

The elderly live in housing that is older, cheaper, and of slightly lesser quality than their younger counterparts.

Age Of Housing

The median age of housing and the percentage built before 1939 are generally higher for those over 65 (table 11). The elderly married live in somewhat newer housing than the elderly unmarried. Given that the married tend to be younger than the unmarried, the proposition that the oldest people live in the oldest housing seems also to be true.

Over 50 percent of the elderly live in dwellings built before 1939 (table 12). Fewer than 5 percent of elderly homeowners and 10 percent of elderly renters live in dwellings built after 1970. In contrast, only 28 percent of homeowners under 65 and 42 percent of renters under 65 live in dwellings built before 1939; 13-14 percent of each category live in dwellings built after 1970.

Adequacy Of Housing

The Annual Housing Survey provides information on four measures of housing adequacy: (1) the availability of plumbing (hot and cold piped water inside the structure as well as a flush toilet and a bathtub or shower inside the unit for the exclusive use of the occupants of the unit) and a complete kitchen (installed sink with piped water, a stove, and a mechanical refrigerator); (2) persons per room; (3) structural condition and service reliability; and (4) adequacy of the environment. These four measures are very briefly reviewed below and reported in greater detail in appendix A.

- Plumbing and kitchens. In 1974 the overwhelming majority of the elderly lived in units with complete plumbing and kitchen facilities for the exclusive use of the household. The incidence of deficiencies in these facilities is much higher among rural households compared to their urban counterparts, and among renters compared to homeowners.

- Persons per room. As measured in this way, the accommodations of the elderly are spacious; true crowding is almost nonexistent.

TABLE 11

AGE OF OCCUPIED HOUSING UNITS BY AGE OF HOUSEHOLD HEAD

	Total (000)	Median Age of Dwelling	Percent Built Before 1939
Owners			
Over 65			
Multiperson	6,282	32.4	47.8
Single person	3,311	40.0	55.3
Under 65			
Multiperson	32,854	24.5	24.8
Single person	2,604	30.4	35.0
Renters			
Over 65			
Multiperson	1,421	31.4	52.0
Single person	2,323	32.7	51.6
Under 65			
Multiperson	14,487	21.9	41.2
Single person	5,131	29.8	47.4

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

TABLE 12

AGE OF STRUCTURE BY HOUSING TENURE STATUS
AND AGE OF HEAD OF HOUSEHOLD
1974

Date	All Households (Percent)		Households with Heads 65 and Over (Percent)	
	Owners	Renters	Owners	Renters
Since April 1970	14	13	5	9
1960 to 1970	26	21	14	19
1950 to 1959	22	13	18	10
1940 to 1949	10	11	13	10
1939 or earlier	28	42	50	52
Total	100	100	100	100

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

- Structural condition and systems reliability. Deficiencies of this type noted in the Annual Housing Survey include exposed wiring, absence of working electrical outlets in every room, unsound roofing, holes in the floor, and flaking or peeling paint and plaster. Systems reliability covers the number of breakdowns in the plumbing, heating, and electrical systems. For structural deficiencies, the elderly and nonelderly in similar household types (family versus single-person households) have about the same number of problems. But since the elderly are more concentrated in single-person households, which have a higher incidence of deficiencies, the elderly exhibit a higher aggregate number of problems. For systems reliability, the picture is mixed, which makes a succinct summation difficult.

- Adequacy of the environment. Based on the data from the Annual Housing Survey, a suitable environment can be judged as one not having problems with crime, trash and litter, noise, odors, or deteriorating and abandoned buildings severe enough to make the household want to move. It must also have good perceived access to public transportation, shopping, and health facilities. The main differences here are associated with tenure, with owners having more specific complaints but rating their neighborhoods more positively on an overall assessment.

It may help to put these points in perspective by noting the following: One hundred forty-one thousand elderly homeowners and 180,000 elderly renters do not have complete plumbing facilities. Housing for some 393,000 elderly homeowners and 206,000 elderly renters has two or more of the structural deficiencies listed above. These figures clearly demonstrate that a substantial number of the elderly are living in units that would very probably fall below a socially acceptable minimum standard. Further, there are as many homeowners in such units as renters, although the proportion of homeowners is lower.

What Is Excessive?

A recent article summarized two ways to determine whether housing expenses paid by the elderly are an excessive portion of their income.

> One can examine the importance of housing in the budget for an elderly couple to live at...three different living standards... The type of housing included in these budgets is carefully defined [by the Bureau of Labor Statistics] and would by most standards be classified as being a modest dwelling in a decent neighborhood.
>
> ...
>
> Annual Housing Costs as a Fraction of All Expenditures for Retired Couples in 1969 in Urban Areas:
>
> | | |
> |---|---|
> | Lower budget | |
> | renter | .27 |
> | homeowner | .25 |
> | Intermediate budget | |
> | renter | .24 |
> | homeowner | .20 |
>
> By these standards, renters should be spending about 25% of their income on housing, assuming that income and total expenditures are equivalent.
>
> ...
>
> The other [way to determine]...what the elderly should spend on housing is obtained by adjusting the "25 percent rule-of-thumb" for the fact that each dollar received by the elderly is worth more than the same dollar received by other households. The Bureau of Labor Statistics (1968) has estimated that because of such factors as reduced expenses related to not working, lower income taxes resulting from Social Security payments being tax exempt, and reduced property taxes in many places, a retired couple requires only 65-80 percent of preretirement earnings to have the same living standard as their nonretired counterpart. This widely used rule...implies that

> the 25 percent housing expense standard should be increased to at least 30 percent...
>
> ...
>
> That is, holding housing expenses fixed would require about 30 percent of income to be spent on housing after retirement, while maintaining the overall living standard at a preretirement level requiring 25 percent of income.[19]

This paper takes a slightly different approach. The latest available figures from the Bureau of Labor Statistics (BLS) for elderly households indicate that housing represented about 35 percent of the total budget for all three budget levels--low, intermediate, and high.[20]

	Low	Intermediate	High
Total budget	\$4,695	\$6,738	\$10,048
Housing	\$1,613	\$2,334	\$ 3,653
Housing as percentage of total	34.3	34.6	36.3

Using the higher ratio (35 percent) for the elderly than the nonelderly is consistent with BLS and census data. The ratio of housing expense to total budget for four-person nonelderly households in 1976 was 20 percent, 24 percent, and 25 percent for low, intermediate, and high budgets, respectively.[21] Census figures for 1950, 1960, and 1970 show a consistent gap of approximately one-third between elderly and nonelderly ratios (table 13). Therefore, the following paragraphs use the more conservative 35 percent ratio to indicate an excessive burden of housing expense for the elderly.

Do The Elderly Have An Excessive Housing Burden?

The elderly generally have lower out-of-pocket expenses than the nonelderly for housing. This is true for both owners and renters.

Homeowners

The key factor regarding elderly homeowners is the absence of mortgage indebtedness, which greatly reduces out-of-pocket expenditures. As shown in table 14, 84 percent of elderly

TABLE 13

TRENDS IN HOUSING EXPENSE TO INCOME RATIOS

	1950	1960	1970
All households	0.20	0.20	0.19
Husband-wife families			
Head under age 45	0.19	0.17	0.17
Head age 45-64	0.17	0.15	0.14
Head age 65 or over	0.23	0.21	0.21
Other families			
Headed by male			
Head under age 65	a	0.18	0.19
Head age 65 or over	a	0.20	0.19
Headed by female			
Head under age 65	a	0.25	0.26
Head age 65 or over	a	0.25	0.20
Single individuals			
Under age 65	a	0.29	0.23
Age 65 or older	a	0.51	0.38
All households headed by elderly	0.29	0.29	0.27

[a] Separate data were not provided for these households in 1950.

SOURCE: F. deLeeuw, A. Schnare, and R. Struyk, "Housing," table 4, p. 126 _in_ Wm. Gorham and N. Glazer, _The Urban Predicament_ (1976).

TABLE 14

MORTGAGE CHARACTERISTICS OF OWNER-OOCUPIED HOUSING,
BY AGE OF OCCUPANTS
1974

	Total Units (000)	Owned Free & Clear	With Mort-gage
Multiperson household	34,384	31.6	68.4
Male head with wife	30,459	29.9	70.1
Under 65	26,384	22.0	78.0
Over 65	4,074	80.9	19.1
Male head without wife	867	46.4	53.6
Under 65	680	35.9	64.1
Over 65	187	84.3	15.7
Female head	3,057	44.3	55.7
Under 65	2,349	33.3	66.7
Over 65	708	81.0	19.0
Single-person household	4,708	74.7	25.3
Male	1,241	58.3	41.7
Under 65	744	38.8	61.2
Over 65	496	87.4	12.6
Female	3,467	80.6	19.4
Under 65	1,348	64.4	35.6
Over 65	2,119	90.9	9.1

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

homeowners, compared to 25 percent of their younger counterparts, own their homes free and clear. Eighty-one percent of all married homeowners over 65 own their homes free and clear. An even larger proportion of single-person elderly households --87 percent of all men and 91 percent of all women--have the same status.

The combination of substantial house values and the absence of mortgage indebtedness places a substantial portion of the elderly in a strong asset position (table 15). Close to 3.9 million elderly households, 51 percent of all elderly homeowners, own, free and clear, a house valued over $25,000.

The second element of the expense burden of homeowners is their income status. As noted earlier, elderly homeowners are concentrated in the lowest income classe. Fifty-six percent of all homeowners with incomes under $3,000 and 58 percent of all homeowners with incomes between $3,000 and $4,999 are elderly households. Single elderly people comprise the largest segment in the lowest income categories--39 percent of all owners with incomes below $3,000 and 27 percent of those with incomes from $3,000 to $4,999. Sixty-one percent of all elderly single homeowners have incomes below $5,000. On the other hand, only 27 percent of elderly multiperson households and 10 percent of nonelderly multiperson households have incomes under $5,000.[22]

The lowest income classes have the highest housing expense-to-income ratios, bearing in mind that expenses are understated because maintenance and repair costs are not included.[23] Of all units with a mortgage in which payments are 35 percent or more of income, 44 percent of the owners have incomes under $5,000. In units owned free and clear, 95 percent of the homeowners paying more than 35 percent of their incomes have incomes below $5,000. Altogether about 1.1 million elderly homeowners with incomes under $5,000 devote 35 percent or more of their income to housing. In many of these cases, it is ironic that the household is burdened by its assets.

Renters

Elderly renters also pay less then their younger counterparts (table 16). The median monthly rent for the elderly is between 68 and 77 percent of the median monthly rent for the nonelderly. The lower rent is partly because the unit is older. More important, however, is the longer tenure relationship and the fact that the elderly generally make the best tenants.[24]

TABLE 15

HOUSING ASSET POSITION OF ELDERLY HOMEOWNERS (000)

	No. of Elderly Home-owners (1)	Own Free & Clear Percent (2)	Own Free & Clear No. (3)[a]	Percent with Houses $25,000+ (4)	No. Free & Clear $25,000+ (5)	Percent of All Owners in Strong Asset Position (6)[b]
Multiperson						
Husband-wife	4,074	80.9	3,296	66.3	2,185	53.6
Headed by male	187	84.3	158	60.3	95	50.8
Headed by female	708	81.0	573	56.0	321	45.3
Single person						
Male	496	87.4	433	51.1	222	44.7
Female	2,119	90.9	1,926	53.7	1,034	48.8
Total	7,584	84.2	6,386		3,857	50.9

[a]Column 1 multiplied by column 2.
[b]Column 5 divided by column 1.

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

TABLE 16

MEDIAN MONTHLY RENTS BY AGE

	Elderly	Nonelderly	Elderly as Percentage of Nonelderly
Contract	$87	$128	68.0
Contract with utilities	75	107	70.1
Contract without utilities	103	133	77.4
Gross rent	106	149	71.1

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

They are more likely to pay their rent on time, less likely to impose a strain on the building's structure and facilities, and less likely to move, thus saving the landlord the expense of turnover. The lower rent is not the result of smaller apartments; the median number of rooms occupied by different categories of households is the same for elderly and nonelderly households.

In spite of the favorable treatment accorded elderly renters, many are hurting financially. Many households are paying over 35 percent of their income for rent (table 17). The situation is especially severe for elderly women; the median ratio is 37 percent, and 56 percent of the households are paying more than 35 percent of their income. Further calculations indicate that about 1.7 million renters are spending more than 35 percent of their income on housing.[25]

In sum, approximately 2.8 million elderly households (1.1 million owners and 1.7 million renters) presently pay an excess proportion of their income for housing. Doubtless many others are paying a lower proportion of their income but for the poorest quality housing.

TABLE 17

GROSS RENT AS A PERCENTAGE OF INCOME FOR RENTER-OCCUPIED HOUSING UNITS, BY AGE OF OCCUPANTS

	Total Units (000)	Median Rent-to-Income Ratio	Percent 35+	No. of Households 35+ (000)
Multiperson	15,908	20	22	3,500
Male head with wife	10,776	17	13	1,401
Under 65	9,767	17	12	1,172
Over 65	1,009	23	26	262
Male head without wife	1,251	25	33	413
Under 65	1,168	25	33	385
Over 65	83	27	32	27
Female head	3,881	30	44	1,708
Under 65	3,552	31	44	1,563
Over 65	329	25	35	115
Single person	7,456	25	34	2,535
Male	3,176	20	21	667
Under 65	2,574	18	18	463
Over 65	602	25	34	205
Female	4,280	31	44	1,883
Under 65	2,557	27	35	895
Over 65	1,723	37	56	965

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

This section analyzes how well current subsidized Federal housing programs administered by HUD meet the needs of the elderly, and more particularly the elderly poor. For this paper, the similarities of the various Federal approaches to the housing problem--public housing, Section 236, rent supplements, Section 221(d)(3), Section 202, and Section 8[26]--are more important than their differences.

The basic pattern of Federal housing programs has been to construct specially designed rental projects exclusively for the elderly. Although there are some important variations to this pattern--primarily the use of existing housing and age-integrated settings--they do not divide neatly along program lines. Elderly residents of public housing, for example, may live in specially designed units in developments segregated by age, in specially designed units for all ages, and in existing older public housing units for all ages. The Section 236 program includes projects exclusively for the elderly and projects for which there are no age barriers. Section 8 assists the elderly in new units and in existing units. An important constant, though, is that all assistance has been for the elderly living in rental housing.[27]

This section first summarizes the history of Federal involvement with the housing needs of the elderly. It then presents current program occupancy and production statistics and discusses whether the elderly are getting their fair or necessary share of HUD assistance. It concludes by discussing some of the shortcomings of the present approach.

Historical Perspective

Subsidized housing for the elderly was a long time coming. It was not until the Housing Act of 1956 that the basic legislation for public housing was modified to accommodate the specific problems of the elderly.

The Housing Act of 1937 limited occupancy in public housing to low-income families. Before 1956, elderly families were admitted to public housing projects, but elderly single people were barred. The elderly, before the 1956 legislation, were underrepresented in public housing: they occupied only 10 percent of the available accommodations. The Housing Act of 1956 authorized the construction of new housing (or remodeling of existing housing) specifically designed for "elderly families."

By 1957 the Housing and Home Finance Agency (HHFA) reported in its Eleventh Annual Report that the elderly occupied 12 percent of all public housing units. By the end of 1958, it reported the dedication of the first project specifically designed for the elderly (Highland Gardens in Somerville, Massachusetts) and occupation by the elderly of nearly 14 percent of all units in the public housing program.

The main impetus of the spectacular growth of public housing for the elderly, however, was the growing disenchantment of both Federal and local officials with the public housing program of the fifties. During the fifties, partly because of changes in the Housing Act of 1949 and partly because of rising prosperity, public housing projects were seen as undesirable housing accommodations.[28] Neighborhoods were increasingly reluctant to provide space for housing with "troublesome" tenants.

Public housing specifically designed for the elderly was the beneficiary of this disenchantment. Stressing housing for the elderly made site selection proceed more smoothly and started production again. The Housing Act of 1961 provided an additional impetus in the form of an annual contribution of up to $120 for each elderly family.

Public housing for the elderly was immediately successful. During 1966 over 62 percent of all public housing starts were designed specifically for the elderly, and in many metropolitan areas it was the only public housing being built. In addition, a high percentage of previously constructed small apartments were occupied by the elderly for the first time. By the end of 1968, the elderly occupied 38 percent of all public housing units; by June 30, 1976, they occupied 44 percent.[29]

Paralleling to some extent the development on the public side was the increased stress on aiding the elderly through private programs. In 1959 the first Federal subsidized private housing program of any kind was enacted; it was specifically designated for the elderly. Section 202 of the Housing Act of 1959 introduced a private direct loan program for the purpose of providing housing for the elderly. Loans were provided at interest rates around 3 percent for terms of up to 50 years. Section 202 has become one of the most popular programs HUD has ever administered. Since 1961, with the introduction of subsidy into traditional FHA mortgage insurance programs, the elderly have been significant participants in FHA subsidized rental programs.

Present Participation by the Elderly in Federal Housing Programs

Public Housing

Of 1,035,861 occupied public housing units on June 30, 1976, elderly tenants lived in 455,779 of them (44 percent). The trend has been upward; in 1975 the corresponding figure was 43 percent and in 1971 40 percent. Only four states have occupancy percentages under 30 percent (Alaska 24, Arizona 28, Louisiana 28, and New Mexico 25), and four have occupancy percentages above 70 percent (Iowa 78, Minnesota 77, Rhode Island 72, and Wisconsin 71), see table 18.[30]

The reported percentages of elderly occupancy in public housing are overstated because they include disabled and handicapped households under 62. Of the elderly families reexamined for continued occupancy during the 12 months ending September 30, 1976, 17 percent of all "elderly" were under 62 and can thus be assumed to be handicapped (table 19).[31] An additional 8 percent of all elderly were between 62 and 64, so that 25 percent of all elderly households in public housing were under 65. In sum, approximately one-third (342,000) of all public housing households are over 65 years of age.

Table 19 reveals that 51 percent of all white households in public housing are over 65. The elderly comprise only 18 percent of all Spanish-American and 21 percent of all black households.[32] Nevertheless, 36 percent of all elderly in public housing are black. The elderly in public housing are poor: Half have incomes below $2,833, and the average income is $3,437.

Section 236

The Section 236 program covers approximately 550,000 units. The elderly represent 35 percent of all families whose incomes were recertified for continued occupancy during the 12 months ending September 30, 1976 (table 20). Eighty-eight percent of those "elderly" were over 65 for a net percentage of 31 percent of 171,000 elderly occupants.

TABLE 18

LOW-INCOME HOUSING: OCCUPANCY TRENDS BY FAMILIES QUALIFIED AS ELDERLY ON THE BASIS OF AGE, DISABILITY, OR HANDICAP, IN PROJECTS PAST INITIAL OCCUPANCY STAGE, BY STATE

Units Occupied by Elderly as Percent of Total Units Occupied by Tenants on June 30, 1976[a]

Total	44	Montana	35
		Nebraska	65
Alabama	43	Nevada	37
Alaska	24	New Hampshire	69
Arizona	28	New Jersey	51
Arkansas	60	New Mexico	25
California	35	New York	42
Colorado	46	North Carolina	37
Connecticut	47	North Dakota	65
Delaware	51	Ohio	52
District of Columbia	31	Oklahoma	45
Florida	45	Oregon	59
Georgia	43	Pennsylvania	39
Hawaii	46	Rhode Island	72
Idaho	59	South Carolina	41
Illinois	42	South Dakota	36
Indiana	47	Tennessee	48
Iowa	78	Texas	43
Kansas	61	Utah	35
Kentucky	47	Vermont	68
Louisiana	28	Virginia	30
Maine	57	Washington	62
Maryland	36	West Virginia	62
Massachusetts	51	Wisconsin	71
Michigan	60	Wyoming	37
Minnesota	77	Puerto Rico	22
Mississippi	41	Virgin Islands	13
Missouri	47	Guam	14

[a]Based on units reporting elderly status.

SOURCE: HUD, 1976 Statistical Yearbook, table 109, p. 170.

TABLE 19

LOW-INCOME HOUSING: SUMMARY OF CHARACTERISTICS OF ELDERLY FAMILIES REEXAMINED FOR CONTINUED OCCUPANCY DURING THE 12 MONTHS ENDED SEPTEMBER 30, 1976, BY MINORITY GROUP CATEGORY

Characteristics	Elderly Families[a]	White/ Nonmi-nority	Negro/ Black	Spanish-American
Number reexamined	158,357	89,288	56,464	10,582
Percent	100	100	100	100
Receiving assistance and/or benefits	97	98	97	94
Assistance with/without benefits	30	20	41	57
Benefits only	67	78	56	37
Not receiving assistance or benefits	3	2	3	6
No workers	92	95	88	85
One worker	7	4	11	13
Two or more workers	1	*	1	2
Age of family head, all[b]	156,891	88,315	56,195	10,557
Under 25	*	*	*	*
25-34	1	1	2	2
35-44	3	1	4	5
45-54	6	3	10	11
55-61	7	5	11	12
62-64	8	6	10	12
65-69	18	17	19	20
70-74	20	22	18	17
75 and over	36	45	26	19
Median age	72	74	68	67

TABLE 19 (Continued)

Characteristics	Elderly Families[a]	White/ Nonminority	Negro/ Black	Spanish-American
Elderly, as a percent of all families	41	68	28	24
Under $25.00 gross rent	1	1	2	1
$25.00-34.99	6	5	7	6
$35.00-44.99	27	26	32	20
$45.00-54.99	21	22	20	24
$55.00-64.99	16	19	12	12
$65.00-74.99	9	9	8	7
$75.00-84.99	6	6	6	6
$85.00-99.99	6	6	6	6
$100.00 and over	8	6	9	20
Median gross rent	$52.25	$53.15	$49.85	$55.30
Mean gross rent	58.70	57.70	58.09	69.08
Median income	$2,833	$2,894	$2,668	$3,114
Mean income	3,437	3,293	3,503	4,163

[a] Includes families for whom data by minority group category are not available.
[b] Based on data for families reporting sex of head of household.
*Less than 0.5 percent.

SOURCE: HUD, 1976 Statistical Yearbook, table 121, p. 179.

TABLE 20

SECTION 236 HOUSING: SUMMARY OF CHARACTERISTICS OF ELDERLY FAMILIES RECERTIFIED FOR CONTINUED OCCUPANCY DURING THE 12 MONTHS ENDED SEPTEMBER 30, 1976, BY MINORITY GROUP CATEGORY

Characteristics	Elderly Families[a]	White/ Nonminority	Negro/ Black	Spanish-American
Number recertified	32,908	28,827	1,883	471
Percent	100	100	100	100
Receiving assistance and/or benefits	98	98	97	99
Assistance with/without benefits	55	56	46	55
Benefits only	43	43	51	44
Not receiving assistance or benefits	2	2	3	1
No workers	93	93	84	88
One worker	7	7	15	11
Two or more workers	*	*	*	1
Age of family head, all[b]	29,572	25,870	1,728	423
Under 25	*	*	2	*
25-34	1	1	4	2
35-44	1	1	3	3
45-54	1	1	6	4
55-61	1	1	5	3
62-64	7	7	13	9
65-69	21	21	24	26
70-74	24	24	21	25
75 and over	43	44	22	28
Median age	73	74	69	71

TABLE 20 (Continued)

Characteristics	Elderly Families[a]	White/ Nonminority	Negro/ Black	Spanish-American
Elderly, as a percent of all families	35	43	11	15
Under $65.00 gross rent	1	1	2	4
$65.00-74.99	1	1	*	--
$75.00-84.99	2	2	1	*
$85.00-99.99	9	9	8	17
$100.00-124.99	37	37	26	41
$125.00-149.99	35	35	32	26
$150.00-174.99	11	11	19	7
$175.00-199.99	4	3	9	3
$200.00 and over	2	2	3	2
Median gross rent	$125.88	$125.47	$134.96	$117.71
Mean gross rent	128.53	128.04	137.43	119.02
Median income	$4,179	$4,210	$3,725	$3,467
Mean income	4,448	4,461	4,298	3,998

[a] Includes families for whom data by minority group category are not available.
[b] Based on data for families reporting sex of head of household.
*Less than 0.5 percent.

SOURCE: HUD, 1976 Statistical Yearbook, table 69, p. 141.

Thirty-eight percent of all white families in the program are elderly, while only 10 percent of the black and 13 percent of the Spanish-American households are elderly. In contrast to public housing, only 5 percent of the elderly are black. The lower subsidy level and the fact that many of the Section 236 units were built in the suburbs may explain the different pattern. The median income of the elderly in Section 236 projects is substantially higher ($4,179) than in public housing, and substantially above the poverty line.

Rent Supplements

In 1976 approximately 24 percent of recertified occupants in the rent supplement program were elderly (table 21). Fifty-seven percent of this total, however, were under 65, yielding 10 percent over age 65. The median age of the "elderly" was in fact 63. Approximately 4,700 additional elderly households receive these subsidies.

Again adjusting the figures to reflect those 65 and over, 22 percent of all white households were elderly, but only 5 percent of the black and 5 percent of the Spanish-American. Thirty percent of the elderly occupants were black, although 70 percent of them were under 65. The median income level for all households was similar to that in public housing--$2,841.

Section 221(d)(3)

No occupancy data are available for the approximately 180,000 units built under the Section 221(d)(3) program that provides housing below the market interest rate. If we assume that elderly occupy 10 percent of the units, we can add to the total another 18,000 units occupied by the elderly.

Section 202

Section 202, before its reactivation and use in conjunction with Section 8, resulted in the production of 45,275 units. Since the program is also open to the handicapped and it defines elderly as over 62, we assume that 80 percent of the units are occupied by those over 65.[33]

Section 8

The elderly occupied half (180,417 of 357,774) of all Section 8 units as of December 31, 1977 (table 22). Assuming that those

TABLE 21

RENT SUPPLEMENT HOUSING: SUMMARY OF CHARACTERISTICS OF ELDERLY FAMILIES RECERTIFIED FOR CONTINUED OCCUPANCY DURING THE 12 MONTHS ENDED SEPTEMBER 30, 1976, BY MINORITY GROUP CATEGORY

Characteristics	Elderly Families[a]	White/ Nonminority	Negro/ Black	Spanish-American
Number recertified	8,724	5,566	2,590	285
Percent	100	100	100	100
Receiving assistance and/or benefits	96	96	96	91
Assistance with/without benefits	38	35	44	55
Benefits only	58	61	53	36
Not receiving assistance or benefits	4	4	4	9
No workers	94	95	91	92
One worker	6	5	9	8
Two or more workers	*	*	*	--
Age of family head, all[b]	8,289	5,264	2,474	281
Under 25	2	1	3	5
25-34	7	5	10	11
35-44	8	7	10	15
45-54	15	13	19	17
55-61	15	15	16	22
62-64	10	9	13	12
65-69	15	16	14	7
70-74	12	14	8	6
75 and over	16	20	8	4
Median age	63	65	59	56

TABLE 21 (Continued)

Characteristics	Elderly Families[a]	White/ Nonminority	Negro/ Black	Spanish-American
Elderly, as a percent of all families	24	51	12	12
Under $65.00 gross rent	61	61	63	50
$65.00-74.99	15	15	15	17
$75.00-84.99	7	7	7	10
$85.00-99.99	7	8	6	10
$100.00-124.99	6	7	5	8
$125.00-149.99	2	2	2	3
$150.00-174.99	1	1	1	1
$175.00-199.99	*	*	*	*
$200.00 and over	*	*	*	*
Median gross rent	$52.88	$53.11	$51.49	$64.54
Mean gross rent	72.26	72.20	72.29	75.08
Median income	$2,841	$2,883	$2,713	$3,223
Mean income	3,079	3,102	3,001	3,517

[a]Includes families for whom data by minority group category are not available.
[b]Based on data for families reporting sex of head of household.
*Less than 0.5 percent.

SOURCE: HUD, 1976 Statistical Yearbook, table 85, p. 151.

TABLE 22

SECTION 8 TOTAL UNITS AND UNITS OCCUPIED
BY THE ELDERLY[a]
1977

	Total Units	Elderly	Elderly as Percent of Total
U.S. total	357,774	180,417	50.4
New	25,636	22,548	87.9
Rehabilitated	4,341	3,233	74.5
Existing (other)	232,505	110,621	47.6
Loan management	95,292	44,015	46.2

[a]Includes disabled, handicapped, and persons 62-65 years old.

SOURCE: Section 8 Management Information System (December 30, 1977).

between 62 and 65 represent 20 percent of all people over 62,[34] approximately 120,000 people over 65 occupied the units.

Over 90 percent of the occupied units are not in the new construction or substantial rehabilitation portion of the Section 8 program. There are 233,000 in the portion that leases existing dwellings, and the remainder are part of the loan management effort to aid troubled projects. The elderly occupied under 50 percent of these units. In substantially rehabilitated units, which comprise little more than 1 percent of all occupied units, 3 of 4 units were occupied by the elderly. The elderly occupied 9 of 10 new units, which represents 7 percent of all occupied units. However, these are early occupancy figures and do not necessarily represent long-term trends.

As of June 30, 1977, the average income of an elderly occupant of an existing unit was $3,150. For a new or substantially rehabilitated unit it was $3,510.

SUMMARY

Over 700,000 elderly people (over 65) now occupy HUD-subsidized rental units (table 23). They comprise over 30 percent of the occupants in HUD's three major assistance programs--public housing, Section 236, and Section 8. The percentage of the elderly has been steadily increasing in public housing during the seventies; in the Section 8 program over 40 percent of the occupant households are elderly.

Present Status Of Housing Starts For The Elderly

Section 8 is presently HUD's main housing program. The occupancy figures for Section 8 reported in table 22 are primarily for existing housing because of the longer lead time for construction. But housing starts are also overwhelmingly for units to be occupied by the elderly. Sixty-eight percent of all units started (but not yet completed) in FY 1977 were for the elderly (73,000 of 107,000). Fifty-seven percent of all planned starts in 1977 were for the elderly (112,000 of 196,000).[35]

The Elderly's Share: Numbers

To determine whether HUD rental housing programs represent too great a share going to the elderly, one can use a number of

TABLE 23

ELDERLY OCCUPANCY IN HUD-SUBSIDIZED RENTAL HOUSING PROGRAMS
(65 AND OVER)

	Total (000)	Number of Elderly (000)	Percent
Public housing	1,036	342	33.0
Section 236	550	171	31.1
Rent supplement	110	5	10.0
Section 221(d)(3)	180	18	10.0
Section 202	45	36	80.0
Section 8	358[a]	144[a]	40.2
Total	2,279[a]	716[a]	31.5

[a]Totals are overstated because some residents receive assistance from more than one program.

reference points: all households and rental households, poor households (using the Federal definition) and poor rental households, lower income households (using the HUD definition) and lower income rental households, very low income households (using the HUD definition) and very low income rental households.[36] Table 24 indicates that the portion of the elderly in various categories ranges from 17 percent to 39 percent.

The elderly share only among renter households is from 17 percent to 31 percent--not surprising given the greater percentage of poor elderly homeowners. The percentage of elderly living in rental units, however, is understated because it is assumed that all rental households are eligible for assistance. This is not the case. Nonelderly single-person households are ineligible. If these households are excluded, the eligibility rate for the elderly climbs to between 30 percent to 39 percent (table 25). Contrasting these percentages with the 32 percent of all HUD-assisted units occupied by those over age 65, one cannot conclude that the elderly are occupying more than their fair share of units nationally.

The national averages, however, mask a great deal of variation in programs by state and by community. In 16 states, the elderly (unadjusted for those under 65) occupy more than 55 percent of all public housing units (see table 18). In many communities public housing for the elderly is the only subsidized housing. Forty-five of the eighty local authorities in Wisconsin offer only public housing for the elderly.[37] In Milwaukee, which is not one of these localities, of the 2,000 units that were completed after 1965, 89 percent were exclusively for the elderly.

Nationally, the elderly are clearly overrepresented in housing starts and reservations. When this situation is coupled with the occupancy trends in public housing, it seems to be only a matter of time until HUD is brought under pressure to cut back housing subsidy to the elderly.

Dollars

Subsidies per unit are generally smaller for the elderly. But per person, the elderly are receiving much more than the nonelderly. The main cause of this discrepancy is the large number of one-person elderly households rather than lower income for the elderly.

TABLE 24

ELDERLY IN SUBSIDIZED HOUSING AS COMPARED TO ELDERLY IN VARIOUS HOUSING AND POVERTY CATEGORIES

	Elderly (000)	All (000)	Percent
HUD-subsidized rental units	722	2,279	31.7
Renter households			
All[a]	4,302	25,656	16.8
Poor[b]	1,399	5,285	26.5
Low income[c]	3,402	13,498	25.2
Very low income[d]	2,675	8,582	31.2
Owners and renters			
All[a]	14,382	72,523	19.8
Poor[b]	3,255	9,375	34.7
Low income[c]	9,773	28,079	34.8
Very low income[d]	6,763	17,358	39.0

[a] 1975 Annual Housing Survey, table A-1.
[b] Poverty level.
[c] Less than 80 percent of median.
[d] Less than 50 percent of median.

TABLE 25

ELIGIBILITY RATE FOR RENTAL HOUSING
(EXCLUDING NONELDERLY SINGLES)

Income Group	Elderly (000)	All[a] (000)	Percent
All	4,302	20,097	21.4
Poor	1,399	4,242	33.0
Low	3,402	10,791	31.5
Very poor	2,675	6,815	39.3

[a] Understates universe because people between 62 and 65 and the handicapped are eligible.

A 1975 report attempted to look at the costs of public housing on the basis of disaggregated dwelling units built at different times in five cities (Charlotte, North Carolina; Birmingham, Alabama; Dallas, Texas; Denver, Colorado; and Los Angeles, California). See table 26.[38] In each city the subsidy was calculated by subtracting the average rent paid by the tenant in the project from the "cost rent," i.e., an amount equal to the debt service and operating expenses attributable to the project dwelling. The first project listed under each city in table 26 is a family project built during the fifties. The projects listed under "b" are projects exclusively for the elderly. The differences in per person subsidies are striking, but one should be aware that other variations between projects are not controlled.

It is important to note that the large subsidy is not attributable to low income of the elderly in these cities. The average income level in projects for the elderly was above the poverty line for one-person households.[39] Rather, household size largely accounts for the difference.

AN EVALUATION

In spite of the apparent generous treatment the elderly are receiving, the present approach can be criticized as both inequitable and inappropriate. It is inequitable in that it offers assistance to only a small percentage of those who are classified as "very poor" under the present programs. Available dollars are spread over a comparatively broad income group because program limits are so broad that it is difficult to target the available assistance to the most needy. It is inappropriate in that it has little to offer over 70 percent of the elderly who are homeowners classified as poor by HUD's definition of poverty.

Inequity

Income

Close to 10 million elderly households (71 percent) are classified as "lower income households" if one applies the standard defined by Section 8 (table 27). Close to 7 million elderly households--approximately 50 percent--have "very low" incomes (50 percent of the median). If only renter households are considered, the incidence is even greater. Eighty-two percent of all elderly renters (3.4 million households) are classified

TABLE 26

COMPARISON OF PER PERSON SUBSIDIES
IN ELDERLY AND FAMILY PUBLIC HOUSING

	Subsidy	No. of People per Unit	Subsidy per Person	Ratio per Person Elderly to Family Subsidy
Charlotte				
Belvedere[a]	$ 546	2.7	$ 202	---
Edwin[b]	1,023	1.0	1,023	5.1
Strawn[b]	1,076	1.4	769	3.8
Birmingham				
Loveman[a]	522	4.3	121	---
Essex[b]	725	1.2	604	5.0
Dallas				
Turner[a]	629	3.2	197	---
Park Manor[b]	1,569	1.1	1,426	7.2
Denver				
Newton[a]	455	4.5	101	---
Barney Ford[b]	946	1.1	860	8.8
Williams St.[b]	903	1.3	695	6.7
Los Angeles				
Imperial Courts[a]	595	4.1	145	---
Leased Existing[b]	1,225	1.0	1,225	8.4
Leased New[b]	1,444	1.0	1,444	10.0

[a]Family project built in the 1950's.
[b]Project for the elderly.

TABLE 27

ELDERLY AND NONELDERLY POVERTY RATES USING HUD SECTION 8 DEFINITIONS

	Low Income				Very Low Income			
	Nonelderly		Elderly		Nonelderly		Elderly	
	Number (000)	Percent of Households with Low Income	Number (000)	Percent of Households with Low Income	Number (000)	Percent of Households with Very Low Income	Number (000)	Percent of Households with Very Low Income
Owners	8,210	22.6	6,371	66.4	4,688	12.9	4,088	42.6
Multiperson	6,931	20.6	3,616	57.6	3,891	10.7	1,936	30.8
Single person	1,279	49.1	2,755	83.2	797	30.6	2,152	65.0
Renters	10,096	48.4	3,402	81.8	5,907	28.3	2,675	64.3
Multiperson	7,389	47.7	1,108	69.9	4,140	26.7	718	45.2
Single person	2,707	50.6	2,294	89.2	1,767	33.0	1,957	76.1
Total	18,306	32.0	9,773	71.1	10,595	18.5	6,763	49.2

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

as having lower incomes. Sixty-four percent of all elderly renters (2.7 million households) are classified as very poor. Against these figures the fact that the elderly may be receiving more per capita subsidy becomes insignificant.

In truth, however, HUD calculations may seriously overstate the inadequacy of current program efforts. HUD adjusts the basic income limits of the Section 8 program (80 percent of the local median for lower income and 50 percent of the local median for very low income) to the size of the household. It assumes that the income limit applies to a four-person household and reduces the figure by 10 percent for each person fewer than 4 in the household. Thus, the limit for low income for a two-person household is 80 percent of 80 percent of the local median; for a one-person household, it is 70 percent of 80 percent of the local median. If the household contains more than 4 people, the limit is adjusted upward by approximately 6 percent per person or a maximum of 125 percent.

The adjustments, as applied to the elderly, do not agree with the two most widely used measures of poverty--the poverty index and the BLS urban family budget. The poverty index is the Federal government's official statistical measure. It provides a range of income levels adjusted to take into account family size, sex and age of the family head, the number of children, and farm/nonfarm residence. The poverty index for 1975 set the income level of the elderly two-person household at 59 percent (and the elderly one-person household at 47 percent) of the level of the four-person family (table 28).

A more comprehensive indicator is the BLS-prepared hypothetical annual consumption budget for three relative levels of living (lower, intermediate, and higher) in various urban areas. The annual consumption budget for the low level for a family of four in late 1976 in urban areas was $8,162.[40] The annual lower budget for a retired couple at the same time was $4,160. Hence, the ratio of the retired couple's necessary expenditures to that for a family of four was approximately 51 percent. The ratio for a one-person elderly household was 28 percent.[41]

Table 29 shows how well HUD programs meet the needs of the poorest elderly households. It presents income distribution figures for the major HUD-assisted programs for all elderly households and for one and two-person households. (One and two-person households constitute about 91 percent of all housing occupied by the elderly.) These figures include all

TABLE 28

COMPARISON OF LOW-INCOME THRESHOLD
FOR ELDERLY AND FOUR-PERSON HOUSEHOLDS

	Dollars	Percent of Income, 4-Person Household	HUD Percent
HEW Poverty Index[a]			
4 person	5,469	100	100
2 person elderly	3,232	59	80
1 person elderly	2,572	47	70
BLS Lower Consumption Budget[b]			
Husband-wife, 2 children	8,162	100	100
Husband-wife, 65 & over	4,160	51	80
1 person, 65 & over	2,290	28	70

[a]Department of Health, Education, and Welfare, Statistical Report on Older Americans (April 1977), table 3.
[b]BLS, "Autumn 1976 Urban Family Budgets," table C, p. 7.

TABLE 29

INCOME DISTRIBUTION OF HOUSEHOLDS HEADED BY AN ELDERLY INDIVIDUAL LIVING IN HUD-ASSISTED HOUSING[a]

	All Elderly Households (Percent)	One-Person Households (Percent)	Two-Person Households (Percent)
Under $2,000	10	12	4
$2,000-2,999	37	47	15
$3,000-3,999	24	26	24
$4,000-4,999	11	8	20
$5,000-7,000	12	6	27
Over $7,000	5	1	10

[a]Figures include housing assisted under the following programs: public housing, Section 236, rent supplements, Section 221(d)(3), Section 202, and Section 8. Estimates are based on incomes in 1976.

SOURCE: Department of Housing and Urban Development, unpublished computations by Office of Policy Development and Research.

households over age 62 as well as younger, physically disabled households; there is no way to disentangle the incomes of the two groups. Applying the HEW poverty index to these distributions and assuming a uniform distribution of households within each income interval, the data show that over 24 percent of two-person households and 31 percent of one-person households in assisted housing would be officially classified as being below the poverty line. Even if one allows for certain data problems, it is evident that the poorest households are being assisted less frequently than desirable.[42]

Assets

The prospect of the truly poor having difficulty gaining admission to assisted housing is aggravated by the lack of required asset limits in some of the assisted programs (most notably Section 202 and public housing) or by a requirement that assets be considered in calculating income. Although a correlation between income and assets exists, it is far from perfect.[43] An income of $3,000 per year is not an uncomfortable financial position if one is 75 and has $30,000 in a checking account. A recent evaluation of the Section 202 program contained several observations of the economic well-being of many of the participants in the program:

> Project managers and field office staff frequently observed that there are residents who have "substantial" assets, contending that the life style of these tenants would not be possible without such resources. One Area Office staff member believed that a large number of Section 202 tenants placed their assets in their relatives' names and then drew money from these accounts, and he went on to say that project managers often sought out this type of person in order to "keep the project financially afloat."
>
> The opinion that the "well to do" constituted a significant percentage of Section 202 tenants was shared by personnel in three of the six field offices included in the study. Some project managers gave specific examples of tenants who were moderately well off... In Denver...there are two Section 202 projects in which over 30 percent of the tenants have incomes in excess of $8,000 and an average of $18,000 in personal assets... Managers...in the Atlanta and Tampa areas believed that they had tenants who apparently

> considered their apartments to be a second home and as a result one of them had considered instituting occupancy policies in order to discontinue such practices. Several project managers and sponsors spoke with pride about the financial status of their tenants.[44]

Although Section 202 draws tenants from a higher socioeconomic class than public housing, it is quite likely that a considerable number of elderly in public housing will also possess substantial assets. Few managers are likely to strictly police the asset limit or turn away tenants who will be a credit to the program without being a drain on resources.

A 1970 GAO report on the administration of the leased housing program,[45] a program in which a large percentage of the participants were elderly, provides a glimpse of the problem from the auditor's perspective.

> Our review of LHA [local housing authority] records showed that persons with relatively large asset holdings had been brought under the leasing program.
>
> ...
>
> We found that nine of the 11 LHAs included in our review had established limitations on the maximum amount of assets that applicants could have and still be considered eligible for leased housing. The asset limitations ranged from $3,000 to $15,000 for elderly citizens and from $3,000 to $9,000 for low-income families... Neither of the remaining two LHAs included in our review considered the asset holdings of the applicant in determining an applicant's eligibility for leased housing or for low-rent public housing.
>
> We found that one of the LHAs that did not consider asset holdings in determining tenant eligibility had accepted, under the leasing program, two elderly tenants who, according to LHA records, had savings of about $35,000 and $24,000, respectively.
>
> ...
>
> The other LHA that did not consider asset holdings of applicants for leased housing had extended the leasing program to two tenants who, according to LHA records, had assets valued at about $27,000 and $18,400, respectively.
>
> ...

> Our review of the LHA's records relating to about 600 tenants brought under the leasing program showed that, in 140 cases (23 percent), the tenants would not have qualified for Federal housing assistance under the rent supplement program because their asset holdings exceeded the limitations established by HUD for that program. We noted from the records, that, in 44 of the 140 cases, the tenants had assets valued between $10,000 and $15,000.[46]

In sum, one can argue that the Department is not focusing its resources well on the neediest renter households. This is partly because of a generous income eligibility level and partly because of the narrowness of the definition of income employed and partly because of the absence of an asset limit in some programs. Among the latter, the income definition problem--the exclusion of imputed income on nonincome producing assets--is probably less important than the test of assets.

Urban Policy

A central thrust of HUD's policies is the revitalization of urban areas. This policy of preserving existing neighborhoods requires the coordination of HUD's efforts with those of the private market. HUD initiatives and housing programs should certainly strengthen rather than weaken responsible investors in low-income housing. Ironically, HUD's rental programs may have been too good and as a result may have inadvertently undermined rather than shored up weak inner city markets.

The elderly, as has been indicated, are generally the most favored group of tenants. The private market recognizes and rewards the limited amount of wear and tear and turnover from elderly tenants.[47] For some of the very same reasons (plus the fact that site selection is easier for a project for the elderly), local housing authorities have also sought out the elderly. Ever since the early sixties, a great deal of subsidized housing activity in central cities has been for the elderly. As the National Commission on Urban Problems noted in the late sixties:

> More than half of the total units built in recent years have been for the elderly. Moreover, a large portion of the remaining number intended for families were built in smaller cities, which either had a comparatively small Negro population or had very few previous units of public housing.[48]

In spite of the favorable treatment accorded by private landlords, they cannot compete on a cost basis with subsidized housing, especially those units specifically designed for the elderly. The wisdom of this policy has been questioned in a case study of Baltimore, where one-fifth of the total low-rent stock is subsidized:

> This situation raises the issue of who ought to be served by public housing. As mentioned...the most desirable tenant from the investor viewpoint is the elderly family or individual... Despite this fact, or perhaps because of it, many public housing authorities across the country have greatly increased their focus on the elderly. It is very questionable, though, whether authorities should continue to place such great emphasis in their programs on groups who are heavily sought after by responsible investors, while other sectors of the population cannot secure decent housing at modest cost. Such a policy contributes little to shore up the investment climate in the inner city.[49]

Inappropriateness

HUD's current approach to the housing needs of the elderly is inappropriate for large numbers of elderly households. By HUD's reckoning, two-thirds of elderly homeowners--over 6 million households--have low incomes.[50] Over 4 million elderly homeowners have very low incomes. Among single-person elderly homeowners, 83 percent have low incomes and 65 percent very low.

Some HUD programs have been geared to ownership, but they have been ill-suited to older households. The Section 235 subsidized ownership program was geared to providing an opportunity for first-time young buyers. A long-term high loan-to-value mortgage, even though at 1 percent interest, did not appeal to elderly buyers (or prospective lenders) who did not wish to go into debt at this advanced stage of life. Only 1.2 percent of the participants in the program were elderly.[51]

The rehabilitation grant program (Section 115 of the Housing Act of 1949), which provides grants of up to $1,500, is a small program. Since 1954 only 60,000 grants have been made.[52] (No statistics about the percentage of elderly participants are available.) It is also limited by location (to properties in concentrated code enforcement and urban renewal areas) and by use (repairs to bring the property up to local codes). The rehabilitation loan program (Section 312), which offers 3 percent loans, is also a small program (48,000 loans since 1965).[53] It is less valuable to the elderly, who generally do not seek long-term financial obligations. Local communities are also making a substantial volume of rehabilitation grants and loans using Community Development Block Grant funds; systematic data on the proportion of awards and dollars going to households headed by the elderly are still being developed.

No present program assists the elderly to move into accommodations more to their needs and retain their ownership status. The usual house is designed for larger, younger households. The elderly therefore often under-occupy shelter that is ill-designed for their use, while younger families may be living in apartments that are too small for rearing children. This mismatch between housing needs and housing supply may poorly serve both the elderly and the nonelderly. But whether it does depends critically on the tightness of the local market. When the market is soft, creating incentives for the elderly to move to smaller rental units may simply help create abandoned properties; in tight markets, the same action creates lower cost homeownership opportunities for younger families.

There is also no present program that assists the elderly to remain in an old house and maintain it in a good state of repair. The nearly 500,000 houses that have multiple defects and are occupied by the elderly attest to the fact that many elderly are unable to cope with the combination of falling income and rising operating costs. This situation neither benefits the elderly nor enhances the community.

HUD's programs for the elderly also fail to reach the most poorly housed of the elderly. Elderly single men live in substantially worse conditions than elderly single women. HUD's programs also fail to aid rural elderly households because cheap alternative housing accommodations are lacking.

In sum, in spite of the fact that the elderly get at least a fair share of HUD assistance, because of program limitations HUD is able to serve but a small fraction of the elderly households that need assistance, and not necessarily those with the greatest need.

SECTION 4: OPTIONS TO SERVE THE ELDERLY BETTER

The previous sections have made several salient points that drive the discussion of options presented here:

- Using the eligibility criteria of current HUD-administered programs, the elderly are certainly receiving their fair share of the subsidized housing resources in this country.

- The rental subsidy programs are not, however, especially well focused on those elderly renters in the greatest need, in part because of the rules used to administer the subsidy programs in which the elderly participate.

- Even with this fair share of the rental subsidy resources, however, a substantial number of elderly homeowners and renters live in clearly inadequate housing.

- Large and systematic differences exist in the housing and economic circumstances of the elderly with regard to household type, tenure, and urban and rural location.

- By categorically excluding homeowners, the current housing assistance programs exclude the majority of households headed by the elderly, the majority of households living in units that are physically deficient, and those who devote a disproportionate share of their income to housing. This situation means sharp inequities between elderly renters and elderly homeowners and results in substantial deterioration of the existing housing stock.

- It is important to distinguish between the low income-low asset position elderly, and the low income-high asset position elderly. The latter are very heavily concentrated among homeowners.

- The elderly as a group--but particularly home-owners--are very hesitant to relocate compared to the general population.

This section sets forth a series of options that would permit HUD to better serve elderly households. It recognizes that the housing needs of the elderly, because the group is so diversified, cannot be met by a monolithic approach. The options therefore are divided into two parts. The aim of the first part is to increase the effectiveness of current programs by defining program criteria more rationally so as to assist the most needy. The savings realized by HUD through these actions may make funds available to address the housing needs of other elderly who are ill served at present--especially homeowners and single elderly males. The second set of options deals with these two groups. They emphasize assisting homeowners, where appropriate. The options address the needs of those for whom the home is more a burden than an asset and the needs of those who are closely attached to their homes but lack the means to operate and maintain them.

The options reviewed are those that would be feasible for the Department of Housing and Urban Development to undertake, given its traditions and existing institutional framework. A significant set of potential housing alternatives for the elderly involving a closer relationship between housing and supportive services is not discussed here, mainly because of the lack of experience with such programs but also because of the difficulties to date of coordinating support services for HUD-assisted projects.[54]

Each potential new program is judged on the basis of three criteria--efficiency, administrative simplicity, and equity.

- Efficiency. Efficiency is more than providing a program at the lowest cost per participant to the Federal government, although that clearly is important. The crucial measure is cost per incremental unit, whether it be a new dwelling or improved maintenance of an existing dwelling.

- Administrative simplicity. The program should be simple to administer, and it should permit speedy action. To the maximum possible extent, existing institutions should administer the program.

- Equity. The basic tenet of social justice, and the application of this criterion, is that similar households be treated equally. An additional criterion is that the most needy be assisted first, i.e., that limited resources be targeted where they do the most good.

Each program should also be judged on the degree to which it is consistent with HUD's major goals: to preserve the existing stock, to provide adequate housing to all households, and to allow residents to choose where they will live.

These criteria must be delicately balanced. Any subsidy, for example, must be large enough to entice action without being either inefficient or excessively inequitable. There must be enough administrative guidance to see that the money is directed to where it will do the most good but not so much that the program is bogged down with paperwork. Because of the multiplicity of objectives and criteria, no initiative will dominate completely. It is exactly for this reason that a range of options needs to be considered together in a framework that facilitates comparison.

Increasing The Effectiveness Of Current Programs

This first group of options emphasizes improving existing housing programs. It would aid HUD to assist the greatest number of people with the greatest housing need.

Adjusting and Lowering Income Limits for the Elderly

The adjustment for size of household that is used to set income limits in HUD's current subsidy programs should be based on the relative needs of families of different size. The present determination that an elderly family of 1 requires 70 percent as much as a younger family of 4 is not even close to BLS's equivalent determination of 28 percent and HEW's equivalent determination of 43 percent. While lowering the limit will not result in a sudden turnabout in the income distribution of the elderly residents in subsidized housing, it will begin shifting public housing units and other subsidized housing to those most in need. The figures presented in table 29 indicate that substantial increases in target efficiency are possible from such action.[55]

Computing Income From Assets

Income alone is not an adequate guide to need. This fact is especially true of the elderly, who are at their lowest level of income but their highest level of asset accumulation.

HUD presently has a number of positions in search of a policy for assets. The rent supplement program limits assets as well as income. Section 202 has no limit on assets. Localities can determine the policy for public housing. Section 8 has no asset limit *per se* but when net assets are over $5,000, the greater of the actual income derived from those assets, or 10 percent of the value of such assets, is added to income to determine eligibility for the program.[56]

Part of the Section 8 rule makes good sense. Assets should be one part of the determination of need and eligibility. The Section 8 rule avoids the inequity of the rent supplement program in which the household with an income of $4,500 and assets of $4,999 is eligible, while the household with an income of $2,500 and assets of $5,100 is ineligible. The logic of the eligibility rule should be carried over into defining income for subsidy payments; i.e., an imputed income based on the value of the assets should be added to the household's actual income.

Sharing Units

The elderly wish to be independent. However, they do not necessarily wish to live alone. In one study of widowhood, the most important problem mentioned was loneliness. The concept of loneliness extends beyond the loss of a husband:

> Living alone, with no one with whom to discuss daily events is difficult on many persons accustomed to frequent conversational interaction... The right to have someone within the home to help in the tasks of its maintenance...is disrupted by the death of the husband... [These]...widows...miss having "someone around," a presence in the house, someone moving around in case of emergencies. This is literally the fear of being alone.[57]

Nevertheless, in spite of the fact that approximately two-thirds of the eligible renter households consist of only 1 person, almost all HUD subsidized units require that the elderly live alone by limiting their choice to efficiency and one-bedroom units. HUD could require developers of housing for the elderly to make a substantial portion of their units two-bedroom and, therefore, be suited for occupancy by 2 unrelated individuals.

This proposal should be approached with caution, however. It is not clear that the elderly would prefer such an option. There are over 1.6 million unmarried elderly multiperson households, including approximately 30 percent of the elderly multiperson rental households.[58] But many of these multiperson households exist in the present configuration only because the members have had to pool their incomes to have a minimal standard of living. This is in part reflected in the decline in such households between 1970 and 1975 as elderly incomes have risen.

Two-bedroom units would be less expensive than current arrangements in the long run. Although the units would be approximately 15 percent more costly to build and maintain than one-bedroom units, the doubling up would increase the income of the occupants (and hence rent) and therefore substantially reduce the cost to the Federal government.

Assume that the fair market rent for a new one-bedroom unit is $380 a month. If we also assume that a single elderly person with an annual income of $3,510 (the median for elderly occupants of new Section 8 units) occupies the unit, the tenant's monthly rent would be approximately $70.[59] The government subsidy would equal $310 per month or $3,720 per year. A comparable two-bedroom unit rents for $430. Two occupants with median incomes would pay $140 per month. The government subsidy would then be $290 per month or $3,480 per year. One million dollars would house 269 single elderly people in 269 one-bedroom apartments for a year. The same amount would subsidize 574 elderly people in 287 two-bedroom units.

The availability of a companion may reduce the need for some auxiliary social services. Further, the larger number of persons served would reduce the waiting lists and thus the unfairness between the elderly who are served and those who are not. On the other hand, it would contribute to inequity among those single persons served, because most would still have private units. Sharing units in this way should be an option, perhaps with a slight incentive of preference on waiting lists, but not a requirement. The option should also be structured to permit "roommates" to be mutually selected.

New Housing Initiatives

Any policy limited to rental housing fails to address all the housing needs of the elderly. Such a policy also wastes an opportunity to assist the elderly at a lower cost per unit and in some cases to change rivalry between young and old to partnership in improved housing.

Condominiums for the Elderly: The Proposal

A program that would accommodate the housing needs of both elderly and younger households is to build condominiums designed for moderate-income elderly homeowners. Currently, approximately two-thirds of elderly homeowners (over 6 million households) have incomes qualifying them for Section 8 assistance. At the same time, over 50 percent of elderly homeowners own homes valued at over $20,000 free and clear of indebtedness. Many of these elderly people remain homeowners for economic reasons:

> There are many reasons for the reluctance of older people to move, perhaps the most important being economic in origin... Few better alternatives exist that would not result in a major increase in the proportion of income consumed by housing costs.[60]

In a substantial number of cases--either because of indifference, poor perception of maintenance needs, or economic inability--the units fall into disrepair. This depreciation of property serves no one well. In addition, the usual house is designed for larger, younger households. As a result, the elderly often underoccupy shelter that is ill designed for their present use, while in some locations younger families are crowded into apartments unsuited for rearing children, because of the high cost of housing relative to their income.

The condominium program described here would help to solve both of these problems, at the same time minimizing the cost to the government.[61] The program would be open to all elderly households who elected to move into newly built condominiums and live there for at least 9 months of the year. A condominium (whether a high-rise or low-rise building) is well suited for occupancy by the elderly because each household owns its unit and a proportionate share of common space, and can make mortgage arrangements to suit its economic situation. The program could increase housing production at a relatively low cost and eliminate the necessity for building large, high-cost units for young households. A typical one-bedroom unit in a multifamily structure costs approximately $23,000 at the present time.[62] At that level the elderly household could purchase the unit from the proceeds of the sale of its home, gaining at worst a very small mortgage.[63]

Unlike the Section 235 mortgage interest subsidy, the subsidy in this scheme would be tied to the nondebt service components of housing costs--taxes, insurance, and operating expenses. It would be paid only when maintenance expenses exceed a specified fraction of household income--between 15 and 20 percent[64]-- and limited to the amount in excess of 18 percent of income.[65] Thus, the program would protect elderly owners from rising housing costs that are not matched by rising income.[66]

Table 30 shows subsidy payments for households at various levels of income and operating expense. If we assume operating costs at $1,400[67] and the subsidy granted only for expenses over 18 percent of income, the figures in table 31 indicate that the program is feasible for households with incomes as low as $3,500, if their assets exceed $20,000, i.e., when there is no debt service. When income is $5,000, the program is feasible with assets of $15,000. At $7,000 it is feasible with assets of approximately $10,000.

There are over 900,000 elderly households with incomes under $7,000 for whom the program would be economically feasible. The annual government subsidy would range from $480 ($3,500 income) to $140 ($7,000 income).

An important consideration not mentioned thus far is the likely effect on the well-being of the elderly to such a move. Lawton and his colleagues have studied the reaction of a group of elderly who voluntarily moved to smaller units and concluded:

> The effect of dwelling size was always such that smaller size was associated with improved well-being. It is probable that the most favorable moves were those from large units in unfavorable settings to smaller ones in improved settings. In addition, this finding suggests that there may have been something satisfying to the competence needs of these residents in reducing the size of the dwelling and concomitantly the demands on their energies.[68]

TABLE 30

ESTIMATED SUBSIDY PAYMENTS FOR CONDOMINIUM FEES AND UTILITIES, BY INCOME CLASS

Income	Nondebt Service	Maximum Subsidy[a]	Actual Subsidy
$7,000	$1,000	$400	$ 0
	1,200	450	0
	1,400	480	140
$5,000	$1,000	$400	$100
	1,200	450	300
	1,400	480	450
$3,500	$1,000	$400	$370
	1,200	450	450
	1,400	480	480

[a]Determined as the lesser of:

(1) the formula

$S = [0.50(0\text{-}600)] + [0.25(1{,}200\text{-}601)] + [0.15(Y > 1{,}200)]$,

where figures in parentheses are actual expenses <u>or</u>

(2) Expense in excess of 18 percent of income.

TABLE 31

TOTAL HOUSING EXPENSE UNDER CONDOMINIUM PROGRAM WITH VARYING DEGREES OF DEBT

Income	Nondebt Service[a]	Debt Service: None	Debt Service: $4,000 Loan[b]	Debt Service: $10,000 Loan[b]	Ratio: Total Housing Expense to Income
$7,000	$1,260	0			0.18
			$352		0.23
				$881	0.31
$5,000	900	0			0.18
			352		0.31
				881	0.44
$3,500	920	0			0.26
			352		0.36
				881	0.51

[a]Assumes total nondebt service of $1,400; subsidy shown in table 30 is assumed operable.

[b]Mortgage term is 30 years; interest rate is 8 percent.

Thus, it appears that few deleterious effects may accompany moves to the condominiums, when such moves are voluntary.

Evaluation

Because the sliding scale subsidy formula will be difficult to explain, it may meet considerable resistance. On the other hand, the combination of ownership without maintenance responsibilities and a subsidy that protects against rising operating costs should be an attractive package for tens of thousands of elderly homeowners.

Efficiency

The program would help elderly households at a fraction of the cost of present programs. It would also use resources and the existing housing stock more effectively by making large, currently underoccupied houses available. Of course, construction of the new condominiums for the elderly must be consistent with local market conditions (i.e., it should be avoided in areas with a surplus of single-unit structures), but some construction would be justified in nearly all areas. To ensure market compatibility, the same standards used to justify new construction under the Section 8 program could be applied.

The sliding scale of the subsidy payment, plus the fact that many of the units in the condominium would not be subsidized, would serve to brake any tendency for extravagant maintenance.

Administrative Simplicity

Determining the annual subsidy for the household would be relatively simple. The management would have to provide a statement of operating expenses to the occupants even if HUD were not involved. Because HUD would not have to finance or subsidize the condominium for the elderly, the need for formal government oversight would be slight. One set of essential requirements, though, would concern site selection; sites must be chosen to provide access to transportation, local amenities, health-related services, and so on. The elderly may need assistance in selecting units.

Equity

Subsidies would be small so apparent inequities would be small. In fact, however, homeowners living in the condominiums--with their foregone income or assets invested in housing--would be paying a substantially larger portion of their income than the 25 percent renters in assisted units pay. The difference could be partially or fully offset by capital gains (in excess of that earned by renters on other investments), but there is no guarantee of such gains being realized. Equity among homeowners would be violated unless some type of subsidy payments were provided to stationary homeowners as well.

Reverse Annuity Mortgages: The Proposal

Many elderly people do not wish to move. They in fact have paid off all or most of the indebtedness on their houses. For many, however, their strong asset position is not matched by a strong income position. Thus, they may be having trouble meeting operating expenses. The reverse annuity mortgage (RAM) allows the homeowner to take advantage of the home's increased equity to obtain the additional income necessary to meet operating expenses. It can help elderly homeowners recover the equity in their homes without having to sell them.

Several versions of RAMs exist. The following paragraphs describe conventional RAMs and double RAMs.

Conventional Reverse Annuity Mortgages

RAMs are already being offered by some state-chartered financial institutions. For example, a Cleveland savings and loan association is pioneering one concept of a RAM. It lends homeowners up to 80 percent of the value of their homes in monthly payments over 5 to 10 years. The homeowner pays interest on the gradually increasing loan and begins repaying the principal after the funds are fully advanced. The loan is for 30 years, with the home as collateral.

An alternative method simply involves drawing down on the equity of the house through level monthly payments; no loan repayment is required until the owner disposes of the property. The latter form is the more common one the Federal Home Loan Bank Board discusses in its proposals on alternative mortgage instruments.[69]

The main problem with these arrangements is that they do not address the problem of homeowners with limited incomes after the equity is reduced. Once the loan is exhausted, the household is thrown back on its own resources and even may have to begin repaying a loan. Still, moderate income households may find RAMs an attractive vehicle for making major improvements in their units or raising their incomes without any governmental encouragement. There are almost 1 million elderly homeowners with annual incomes between $5,000 and $9,000 and a mortgage-free home valued at over $20,000 who could find RAMs particularly useful.

HUD's Role--The Double Reverse Annuity Mortgage

The inability of the lower income elderly to take advantage of RAMs is unlikely to force the elderly out of their homes. Despite steeply rising operating expenses, a sharp increase in ownership among the elderly--with the sharpest increase among single elderly women--occurred from 1970 to 1975. Nevertheless, the large number of houses with multiple deficiencies occupied by the elderly points to the fact that retaining the home may come at the expense of maintaining it.

HUD could make RAMs work for lower income homeowners by cosigning the note after appraising the borrower's property and financial situation. For a RAM in which repayment is scheduled before the property is sold, HUD would agree with the lender to be liable for the monthly repayment if it were more than 20 percent of the borrower's income and some percentage of liquid assets. As a condition of HUD's guarantee, a substantial portion of the annuity would have to be earmarked for housing expenses, the term of the annuity would have to be for at least 10 years, and the repayment period would have to be at least 25 years. As a further condition, the borrower would have to keep the house in good repair during the entire period. As security for any payment made on behalf of the borrower, HUD would require a second mortgage whose amortization would start after the RAM loan is paid.

The HUD mortgage would be repayable at the earliest of the following events:

1. The property is sold or transferred <u>or</u>
2. The owner ceases to occupy the house <u>or</u>
3. The owner dies <u>or</u>
4. The first RAM is repaid.

In the first three cases, the full amount plus interest would be due. In the last case, the borrower would be required to repay the HUD loan on the same basis as the RAM. If the borrower's income is insufficient, HUD would allow the balance over 20 percent of the borrower's income to accrue.

To illustrate, assume a $20,000 10-year annuity loan on a $25,000 house at 8 percent interest is made to a household headed by a 68-year-old person whose annual income is $4,800. The term is 30 years. The borrower would receive $177 per month for 10 years but would have to allocate at least 30 percent of the net annuity (annuity less interest on the accrued balance) to housing expenses. The monthly repayment, to begin when the borrower is 78, would be $146.34. Assuming no assets and no rise in income, the household could pay $80 per month (20 percent of its income); the government would pay $66.34. Assuming the household lives in the unit for another 10 years, the government's total outlay is $7,961. With an interest rate of 6 percent, the outstanding balance would be approximately $10,800. The outstanding balance of the first mortgage would equal approximately $17,536. The total debt on the property would equal $28,336.

HUD's exposure would be much less under the second type of RAM--when no repayment is required until sale unless the charges for loan principal plus cumulative interest exceed the value of the property. In this case, assistance would begin only when the total debt exceeds the asset, and it would be limited to payment of housing expenses (including debt service) over 25 percent of income. Total exposure is very difficult to judge because it hinges on the rate of property appreciation relative to the rate of interest on the loan. By limiting the loan-to-value ratio to 60-70 percent, HUD could reduce its exposure very substantially.

Evaluation

The proposal may be difficult for the elderly to understand and for HUD to administer. On balance it seems feasible, but it should first be tried on a demonstration basis with the Federal Home Loan Bank Board before national implementation is suggested.

Efficiency

The unit cost to HUD appears to be quite low. In the conservative case used to illustrate the cost of the first version (including interest on its loan), HUD's payments would be $7,961 spread over 20 years with the first payment in the eleventh year. An inflation rate of 3 percent would make the proposition cost free and leave the heirs with approximately $17,000. Under the second plan the cost should be less.

Earmarking part of the annuity for expenses and its long payout should mean that the house will be properly maintained. Other analyses show, however, that incremental income often does not result in improved maintenance by the elderly. Hence, HUD may become involved in a substantial inspections-compliance-enforcement task if the goal of preserving the existing stock is to be achieved.

Administrative Simplicity

HUD's underwriting the open-ended second mortgage and earmarking some funds for housing expenses make the program moderately complex. Setting the funds aside could be quite simple, however; the lender would put an amount of each monthly payment into escrow for real estate taxes and/or the utility bill (which in turn could be paid in installments). Monitoring the unit to determine changes in the composition of the household (the addition of grown, self-supporting children, for example) and thus knowing when to stop payments and to note maintenance requirements would be an administrative burden.

Equity

A proposal that requires repayment with interest is unlikely to arouse envy in those who do not benefit. Subsidies would vary inversely with income but perhaps directly with the value of assets, which is inefficient in terms of assisting those who need help most.

Modified Section 8: The Proposal

Extending the Section 8 program to homeownership is an alternative for low-income elderly for whom RAMs are not practical or useful but who wish to remain homeowners. Many of the more than 1.1 million owners with incomes under $5,000 who are now paying more than 35 percent of their incomes for housing could be helped under this proposal.

If Section 8 is to be extended to elderly homeowners, it should be modified to account for its purpose of allowing current owners to remain in their homes. Because the program would focus on maintaining the existing stock, the modified program would cover only operating expenses. In fact, 86 percent of all elderly multiperson households and 93 percent of all elderly single-person households own their homes free and clear.[70]

Table 32 presents some figures on the cost of a Section 8 program designed to assist elderly homeowners only with operating expenses. In particular it displays, for 1976, the number of elderly homeowners eligible for Section 8 who live in mortgage-free dwellings and who spend over 25 percent of their income for housing. It also shows their monthly housing expenses over 25 percent of their income. About 1.4 million households qualify for the program, the majority elderly individuals living alone.

These figures can be used to crudely compute the cost of a national program. A straightforward estimate, one that provides a clear upper boundary to the relevant cost range, is one that assumes the subsidy will equal current excess operating expenditures. In an actual program, of course, some households would be found to be spending more than what is deemed reasonable, and they would receive only a partial payment.

Program costs would also be sensitive to the expected participation rate. Solid information on this point is available from the "supply component" of the Experimental Housing Allowance Program now operating in Green Bay (Brown County) and South Bend (St. Joseph County). The figures in table 33 show a fairly low rate of participation, based on 2 years of experience. For the present calculations, the assumption of a participation rate of 33 percent appears warranted. Combining these elements yields an aggregate annual cost of about $210 million, or $461 per year per participating household on average.[71]

Evaluation

Efficiency

The annual subsidy of less than $500 per year for a family with very low income is a modest sum. The program would have to have some inspection system to assure that the house is kept in good repair. A related problem is that units suffering most from deferred maintenance will cost the most to bring into the program. Hence, nonparticipation may be disproportionately

TABLE 32

EXCESSIVE HOUSING BURDEN OF ELDERLY OWNER-OCCUPANTS WHO OWN THEIR HOMES FREE AND CLEAR[a]

Income	Husband-Wife Couples		Single Individuals		Other Households	
	Average Excess Expense[b]	Number of Households (000)	Average Excess Expense[b]	Number of Households (000)	Average Excess Expense[b]	Number of Households (000)
Under $2,000	$67	72	$49	158	$56	17
$2,000-3,999	36	184	34	528	33	25
$4,000-5,999	39	168	27	106	28	27
$6,000-7,999	34	43	55	28	40	12
Over $8,000	21	10	0	0	52	3

[a]"Excess housing burden" is defined as operating costs, including taxes, greater than 25 percent of income.

[b]Monthly housing expense.

SOURCE: 1976 Annual Housing Survey, unpublished tabulations.

TABLE 33

RECIPIENCY RATE BY TENURE AND AGE OF HEAD OF HOUSEHOLD:
HOUSING ALLOWANCE PROGRAMS IN BROWN AND ST. JOSEPH COUNTIES,
END OF YEAR 2

Age of Head of Household	Percent of Eligible Households					
	Brown County			St. Joseph County		
	Renters	Owners	Total	Renters	Owners	Total
Under 62	43.6	27.4	36.7	42.4	23.4	33.2
62 and over	35.6	30.1	31.6	27.2	19.9	21.6
Others[a]	54.8	30.0	41.0	37.0	24.0	29.0
All ages	42.0	29.0	35.0	37.0	22.0	26.0

[a] Includes single, handicapped, disabled, or singles displaced by public action. It is biased upward because the denominator includes nondistressed, nonelderly singles. The definition of eligible households was changed in August 1977.

SOURCE: Tabulated from baseline household survey records in each site and Housing Allowance Office records through June 1976 in Brown County and December 1976 in St. Joseph County. The recipiency rates shown are the result of dividing the number receiving payments at the end of year 2 by the estimated number eligible at baseline. Because of changes in the eligible population, these rates may be slightly in error.

high among those needing the assistance most. Without physical standards, the purpose of the program, preserving the existing housing stock, would be defeated; the result would be income transfer by another name. Even with inspection of the type used in the Experimental Housing Allowance Program (EHAP), however, there is little reason to believe that the bulk of the subsidy would be converted into improved dwelling maintenance. Early figures from the supply component of EHAP suggests about 25-30 percent of cash grants earmarked for housing go for increased maintenance and repairs by elderly homeowners.

Administrative Simplicity

The program involves essentially the same administration as the existing Section 8 program. It would require the administrative burden of another set of "fair market rents" (FMRs) for out-of-pocket expenses, but they presumably would be easier to compute than the current rental FMRs. The Experimental Housing Allowance Program suggests that few administrative problems will be encountered.

Equity

The low cost per unit would enable the program to cover a large portion of the needy. A potential source of inequity is between households with and without mortgage debt. This problem could be eliminated, however, by simply limiting the maximum subsidy payment to the FMR for operating expenses only, minus 25 percent of household income for all income-eligible elderly homeowners. As long as Section 8 assistance to homeowners is limited to the elderly, questions of equity with other owners who might be treated differently will not arise.

A more serious equity question concerns the differential treatment of homeowners and renters. While landlords (and renters) are reimbursed for the cost of capital, homeowners would not be; i.e., the opportunity cost of the home equity is ignored. The problem is considerably more complicated, however, when one considers adjusting income for assets; such adjustment has been ignored here. If adjustments were made, then homeowners should definitely be paid for the opportunity cost on capital.[72]

The housing occupied by elderly homeowners is on average older than that occupied by others and hence in greater need of maintenance and repair. The nearly half million houses with multiple structural deficiencies occupied by the elderly represent evidence of an unmet need. Unfortunately, detailed studies of maintenance and repair activities of elderly homeowners indicate that increases in income do not necessarily bring corresponding increases in such activity.[73] Complicating the matter even further is a discrepancy in homeowners' and housing experts' perceptions of what is a serious deficiency. When a deficiency is not perceived, it will not be corrected. Many of these deficiencies do not violate local building codes or Section 8 standards, but deferred maintenance often results in a sharply depreciated housing stock.[74]

Programs to ensure adequate maintenance can take two forms--preventive or curative. Preventive maintenance and repair averages about $25 per month, although expenditures are often infrequent but large.[75] Even doubling the costs for the elderly because they live in units needing greater repair would require a total Federal outlay for a continuous maintenance program of only about $550 per year per household, assuming the poor contribute $5 per month. This is approximately the same as the cost of the inexpensive modified Section 8 program. The real question, however, is how to administer such a program.

A number of communities have set up small programs (Handy Andy, Mr. Fix-It) to repair steps, railings, roofs, and plumbing that some elderly cannot do themselves. Generally these programs are financed through the state and local grant programs of Title III of the Older Americans Act or Title XX of the Social Security Act.[76]

HUD, given its goal of preserving the existing stock, also has a direct interest in such a program. The Department might try to interest local housing authorities in providing maintenance and repair services for elderly homeowners within reasonable distances from HUD projects. Alternatively, HUD could set up an additional program formally using local housing authorities as the delivery agent. Such an effort must resolve major questions of what type of repair services to include and the actual cost of providing them. Past demonstrations in Baltimore and Pittsburgh and a current one in Baltimore funded by the Ford Foundation will provide information on this point.[77] Likewise, questions of eligibility need to be resolved. One possibility is to make the services available to all elderly homeowners, with subsidies depending on income.

Curative maintenance focuses on larger repairs. Many cities are trying to cure the effects of deferred maintenance with funds from Community Development Block Grants. Des Moines, Iowa has a program that grants low-income elderly people up to $1,500 for certain emergency repairs of code items for those in target areas. The program is a major part of the city's effort to stem housing abandonment. A study had concluded that the low-income elderly and widows in Des Moines were extensively involved in abandonment. None of the participants in the new program have abandoned their homes, although one-third stated that without a grant they may have abandoned it within 1 to 3 years.[78]

Baltimore has used CETA (Comprehensive Employment and Training Act) funds to hire public service employees such as carpenters and plasterers to work on jobs for very low income recipients. Boston offers cash rebates of up to one-half of the cost of improvements, technical assistance, and an exemption from property tax reassessment. Technical assistance is especially valuable to assure the elderly that they are not being overcharged for repairs. A recent survey found an extremely wide range of charges (multiples of up to 20 to 1) for the same job.[79]

It is impossible to specify one particular program as a model, both because of the absence of detailed analyses of these programs and because of the variety of local housing and neighborhood situations. A few general principles of program design seem clear, however. Admission to the preventive program should depend on a unit's being brought up to some minimum standard. In this phase, Community Development Block Grants to local governments could be used to make grants or loans to the elderly poor. For those who have the option, RAMs or recasting existing first mortgages to finance repairs could be used. The program requires substantial administration to bring households into the program and assist them in making repairs. A network of assistance is essential, and local housing authorities and/or the network established by the Administration on Aging are the obvious candidates. Finally, such a program would provide large economies of scale; a large number of participants allows efficient scheduling and staffing. For this reason, if funding is limited, the program should be geographically targeted, both in terms of specific cities and specific neighborhoods.

Evaluation

Efficiency

The annual cost would likely be no more than $500 per participant, based on the experience of the completed Pittsburgh and Baltimore demonstrations. The approach has the advantage of directly improving the housing stock; in fact, the effect on the stock would be the equivalent of cash transfers, earmarked for housing, of about $1,500 per person.

Administrative Simplicity

The program would be difficult to administer, particularly in its early stages. Recruiting households to participate has proven difficult in the past, and the effort of bringing units up to minimum standards--involving other programs--could be an especially difficult impediment. Further, dwelling inspections, including careful discussions of which deficiencies the program would repair, are critical. Efficient scheduling is critical. Income eligibility would have to be determined. All of these factors point to a program that will have a high administrative burden, and one whose procedures must be carefully worked out on a pilot basis before full implementation.

Equity

The major impediment to equity is getting units up to the minimum standard necessary to enter the program. The lowest income households will frequently be those least able to qualify and those most in need. Another equity consideration is whether non-income-eligible homeowners should be allowed to participate if they are willing to pay the cost of services delivered. Two arguments favor their inclusion. First, the problems of arranging for repairs to be made--both real (i.e., impairments make this difficult) and imagined (i.e., fear of having strangers in the house)--are not unique to the poor, and the provision of a package of services may assist higher income households in preserving their housing. Second, greater participation would help achieve the badly needed economies of scale.

Other Ideas

The two final ideas presented here have not been sufficiently documented and evaluated in detail, but they are options the Department may wish to pursue further.

Moving The Elderly To Their Children

The Australians, a nation of homeowners, have pioneered a housing program that permits the elderly to be separate but close to their families. The "granny flat" is a separate, movable minihouse (a small mobile home) that allows aged parents to live next to their adult children on their children's land. The units are self-contained and consist of a bedroom, bathroom, living room, and kitchen facilities. Occupants rent the unit from the local housing authority, which removes it from the land when the accommodation is no longer required.[80]

Such a program seems natural for the rural elderly, who make up almost half of the poor elderly and who live in the worst housing. Unfortunately, contrary to the popular image, the rural elderly are less likely to live with or near relatives than urban residents. The outmigration of the young from rural areas and the migration of the elderly from farms to nonfarm areas frequently means that the rural elderly have fewer relatives available than the urban elderly.[81] Nevertheless, the use of mobile homes may make sense even without the presence of relatives in many small towns and rural areas where some of the worst housing can be found, especially for the black elderly. As a general rule, the lower initial cost of the mobile home is offset by site rent, higher financing charges, and higher rates of depreciation.[82] However, site rent, which accounts for approximately 30 percent of monthly occupancy costs,[83] would not be a factor since in many areas the occupant owns the land. Financing charges will be diminished by the public housing program's favorable borrowing rate. The 15-year life of the mobile home may not be disadvantage in many areas experiencing absolute population declines.

High-Rise Rooming Houses

Single men are perhaps the most poorly housed of the elderly. A relatively high percentage of their units lack complete plumbing and kitchen facilities. Since many of them do not want to or cannot cook, HUD could offer accommodations in small units without kitchens in high-rise buildings in downtown areas. Unlike congregate facilities, the residents would be expected to rely on cafeterias for their main source of food. The building could include a snack bar with vending machines and microwave ovens. The occupants of these stripped-down accommodations would pay substantially lower rent than for regular units.

A 13-story rooming house with these features now exists in Toronto, Canada.[84] It offers single rooms with a stove, refrigerator, and toilet. There is one communal bathroom for every five rooms. Double rooms have a bathroom with a shower. Each room has individually controlled heating and an intercom. Coin-operated laundries are available in the basement, and a small, privately owned supermarket is located just off the lobby. The 100 double rooms and 20 single rooms were financed by an $850,000 loan from the Central Mortgage and Housing Corporation under the auspices of a special government low-cost housing program.

A variant of the idea exists in Cambridge, Massachusetts.[85] The 4-story building owned by the housing authority is a converted convent. It is geared to the elderly who need care but not necessarily a nursing home and offers a gamut of services. Each housing unit has a private toilet. Cooking facilities on each floor serve about 10-12 people; they include a stove and two refrigerators. Every three units has a common bath and shower. Tenants supply most of their meals, but a hot lunch is also served 5 days a week on the first floor for residents and for persons from the neighborhood who wish it.

The Toronto and Cambridge housing alternatives are worthy of HUD's further evaluation.

SUMMARY

All of the options presented in this last section fill gaps in HUD's approach to the housing needs of the elderly. Although there are questions about effectiveness--especially in the last two proposals, which have not been fully evaluated--they all entail a low cost per unit, guarantee that the subsidy will be used to improve housing for the low-income elderly, are relatively simple given the complexity of government programs, limit the opportunity for fraud, and do not so benefit recipients as to raise the envy of their compatriots.

What is unique, however, is that the proposals address ie diverse needs of the elderly. Those who crave compani ship would have the option of living with an unrelated perso . Those who treasure privacy could live in a high-rise rooming house. Those who wish to give up their houses but remain owners could buy condominiums. Those who wish to remain in their houses could choose from RAMs, a modified Section 8 program, or a maintenance and repair program. Although it is unrealistic to expect that all of these proposals will prove workable or be adopted, their presentation should widen HUD's perspective in meeting the housing needs of the elderly.

APPENDIX A

ADEQUACY OF HOUSING OCCUPIED BY THE ELDERLY

This appendix amplifies the statements in section 2 on the adequacy of housing occupied by the elderly and supports the data furnished or referenced there.

Plumbing and Kitchens

In 1974 the overwhelming majority of the elderly lived in units with complete plumbing and kitchens for the exclusive use of the household (table A-1). Although the percentages were slightly lower than for the nonelderly, 96 percent of elderly owner-occupied units had complete plumbing facilities, and 98 percent had complete kitchens for their exclusive use. Among elderly renters, the percentages were 93 percent for plumbing and 95 percent for kitchens. However, among elderly single male renters, only 84 percent had complete plumbing and only 83 percent had complete kitchens for their exclusive use.

Except for elderly single males, the major quality gap is between urban and rural households. An earlier analysis using 1973 statistics showed that the gap between urban and rural elderly was approximately 10 percent; approximately 96 percent of the elderly in urban areas have complete plumbing facilities.[86] For kitchens the difference is approximately 5 percent (98 percent for urban dwellers and 93 percent for rural dwellers).

People Per Room

As measured by the number of people per room, the accommodations of the elderly are spacious. The median number of people per room for rental housing is less than one person per room; for owner-occupied dwellings it is less than one-half person per room for multiperson households. Four of 5 elderly single renters have more than 2 rooms per person. Three of 5 elderly single homeowners have more than 5 rooms at their disposal.

Table A-2 indicates that the typical elderly multiperson household lives in less crowded and more spacious accommodations than its younger counterpart. For singles no significant difference exists between the old and the young.

TABLE A-1

PERCENTAGE OF ELDERLY AND NONELDERLY
LIVING IN HOUSING WITH COMPLETE PLUMBING AND KITCHENS
FOR EXCLUSIVE USE OF HOUSEHOLD

	Plumbing		Kitchens	
	Nonelderly	Elderly	Nonelderly	Elderly
Owners	98.6	95.8	99.2	97.9
Multiperson	98.7	96.5	99.3	98.3
Single person	96.9	94.3	97.4	97.2
Renters	95.8	92.6	96.4	94.9
Multiperson	97.3	93.7	98.2	97.3
Single person	91.6	91.9	91.3	93.4

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

TABLE A-2

PERCENTAGE OF PERSONS PER ROOM
BY TENURE AND AGE

	Nonelderly			Elderly		
	More than 1 Person per Room	0.5-1 Person per Room	Less than 0.5 Person per Room	More than 1 Person per Room	0.5-1 Person per Room	Less than 0.5 Person per Room
Owners						
Husband-wife family	14.9	57.7	27.4	2.6	35.1	62.3
Single female	0.1	1.3	98.6	0.1	1.4	98.5
Renters						
Husband-wife family	27.7	61.3	11.0	8.6	67.8	23.6
Single female	6.8	13.5	79.8	6.4	15.8	77.9

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

Structural Condition and Reliability

The structural deficiencies listed by the Annual Housing Survey include exposed wiring; the absence of at least one working electrical outlet in each room; and unsound roofing, flooring, interior paint, and plaster. In general, few American dwellings (5-10 percent) have problems with wiring or flooring, but the elderly have more problems than younger households.

Roofing, paint, and plaster are in much better shape in owner-occupied houses than in rental units by a margin of over 10 percentage points. Ninety-four percent of owner-occupied houses have a watertight roof, while only 80 percent of rental units have one. Ninety-four percent of owner-occupied houses have sound plaster and paint, but the same is true for only 81 percent of rental units. Elderly and renters are more likely to live in a house whose roof leaks.

A single defect of the type listed does not necessarily make a deficient dwelling. Far fewer households live in units with 2 or more defects--especially owner-occupants (table A-3). Less than 5 percent of elderly homeowner units have 2 or more defects, and only 3 percent of elderly married couples live in units with 2 or more defects. The percentages increase for multiperson elderly households to over 9 percent in multiperson households headed by a male.

The increase is much more dramatic in rental housing. Over 10 percent of the elderly occupied units have 2 or more defects--ranging from 8 percent for female one-person households to 19 percent for multiperson households headed by a female. In 1974, 484,000 elderly owner-occupants and 456,000 elderly renters lived in dwellings with multiple deficiencies.

The situation of elderly and nonelderly households is inconsistent. Four percent of nonelderly owner-occupants, compared to 5 percent of elderly owner-occupants, live in dwellings with multiple defects. However, in this general category elderly husband/wife households (3.1 percent) fare better than nonelderly husband/wife households (3.5 percent). Among renters the general situation is worse for the nonelderly. Over 20 percent of the multiple-person households headed by a female lived in units with 2 or more defects.

Service deficiencies include problems with housing systems--heating, sewer, lighting, etc. A prior study indicates a mixed

TABLE A-3

PERCENTAGE OF DWELLINGS WITH STRUCTURAL DEFECTS[a]

	Nonelderly			Elderly		
	0 Defects	1 Defect	2+ Defects	0 Defects	1 Defect	2+ Defects
Owners			3.9			4.8
Multiperson						
Husband-wife	85.9	10.6	3.5	85.4	11.5	3.1
Male head	77.8	15.3	6.9	67.8	22.9	9.3
Female head	76.8	16.4	6.8	76.1	15.3	8.6
Single person						
Male	80.3	13.9	5.8	78.2	14.1	7.7
Female	82.9	12.1	5.0	79.1	15.2	5.7
Renters			12.3			10.6
Multiperson						
Husband-wife	71.0	16.7	12.3	74.6	14.2	11.2
Male head	68.1	16.8	15.1	63.9	17.7	18.4
Female head	62.0	17.5	20.5	61.9	19.4	18.7
Single person						
Male	76.8	14.4	8.8	75.6	13.8	10.6
Female	73.2	16.1	10.7	78.6	13.0	8.4

[a]Defects include exposed wiring; the absence of at least one working electrical outlet in each room; and unsound roofing, flooring, interior paint, and plaster.

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

picture.[87] The elderly were more likely to live in a dwelling with toilet breakdowns (4 percent) and sewer stoppages (2 percent) and less likely to have a blown fuse (9 percent) or heat breakdowns (6 percent) than the average household (table A-4). Although they had fewer heat breakdowns, the elderly were more likely to have used additional heaters during the previous winter (10 percent) and kept some rooms closed (7 percent). A large number (31 percent) lived in units in which some rooms lacked heating. This situation was more likely to occur in rural areas: 56 percent of the farms were in the category. The greater use of heaters is to be expected from a group whose health is more frail. The absence of heat in some rooms and the closing of rooms to keep others warm may indicate spacious accommodations rather than inadequate housing.

Suitable Environment

A suitable environment is one that does not include excessive airplane noise, street noise, heavy traffic, streets in need of repair, impassable roads, poor street lighting, crime, litter, abandoned buildings, deteriorating housing, commercial or industrial business, and odors. Public transportation, schools, shopping, police and fire protection, and health facilities should be accessible.

The majority of Americans live in less than ideal locations. Less than a fourth of American homeowners and less than a fifth of American renters live in neighborhoods with no undesirable conditions. Elderly owners and renters generally report fewer bad conditions than the nonelderly, although the variations are small.[88]

An analysis of individual conditions indicates that some complaints are related to age. The elderly are more concerned about heavy traffic and less concerned about the condition of roads--no doubt a reflection of the fact that the elderly have greater difficulty walking and are less likely to drive. Street noise is the greatest cause for complaint in the general population; over 38 percent of all homeowners and 45 percent of all renters list it as an undesirable neighborhood condition. Elderly homeowners generally complain more than the nonelderly about noise, but for some reason elderly renters complain less. The elderly consistently complain less about crime: Only 15 percent of owners and 21 percent of renters considered their neighborhoods undesirable because of it.[89]

TABLE A-4

PROBLEMS WITH MAJOR SYSTEMS IN HOUSING FOR THE ELDERLY, BY PERCENTAGE 1973

	Households Headed by the Elderly					All Households (elderly and non-elderly)
		Urban		Rural		
	All Locations	In Metro Area	Outside Metro Area	Farm	Nonfarm	
Toilet breakdown	4	3	4	6	6	2
Sewer stoppage	2	2	2	2	2	1
Additional heaters used during the past winter	10	9	10	14	11	9
Some rooms without heating ducts, radiators, etc.	31	22	33	56	38	22
Some rooms closed to keep others warm	7	4	7	20	15	6
Fuses blown in last 90 days	9	8	8	13	11	15
Heat breakdown	6	6	5	8	4	8

SOURCE: Struyk, Housing Situation of Elderly Americans.

Elderly owners and renters are more likely to report adequate public transportation, schools, shopping, police and fire protection, and health care than nonelderly households. Surprisingly, about 60 percent of the elderly renters but only 45 percent of the elderly owners have no complaints. The elderly complain less about public transportation and schools and more about inadequate shopping and health services than the nonelderly. The largest number, however, complain about public transportation, shopping, and health services, in that order.

Overall, the elderly, as do other Americans, give their neighborhoods high ratings (table A-5). The way the neighborhood is rated seems to be a function more of tenure status than of age. Interestingly, homeowners are more positive overall even though they have more complaints, and 86 percent of all owners rate their neighborhoods good to excellent. In contrast, 75 percent of elderly renters and 70 percent of nonelderly renters put their neighborhoods in the good to excellent range. Very small percentages rate their neighborhoods as poor. The most dissatisfied are again nonelderly multiple- person households headed by a female; 10 percent rate their neighborhoods as poor.

TABLE A-5

OPINION OF NEIGHBORHOOD ENVIRONMENT

	Nonelderly			Elderly		
	Good to Excellent	Fair	Poor	Good to Excellent	Fair	Poor
Owners	86.2			86.5		
Multiperson	87.7	10.9	1.4	86.8	11.6	1.6
Single person	84.4	13.6	2.0	86.1	12.1	1.8
Renters	69.9			75.2		
Multiperson	69.5	24.4	6.1	72.9	22.9	4.2
Single person	72.3	23.4	4.3	76.6	18.6	4.8

SOURCE: 1974 Annual Housing Survey, unpublished tabulations.

NOTES

1. Peter Drucker, The Unseen Revolution, How Pension Fund Socialism Came to America (New York: Harper & Row, 1976), pp. 179-80. See also The Washington Post, Feb. 23, 1978, p. A6.

2. The Washington Post, Jan. 21, 1978, p. E20.

3. U.S. Congress, House of Representatives, Committee on Government Operations, "Housing for the Elderly: The Federal Response," 94th Congress, 1st Session, 1975, p. 5.

4. U.S. Congress, House of Representatives, Select Committee on Aging, Subcommittee on Housing and Consumer Issues, 94th Congress, 2nd Session, March, 1976.

5. M. Powell Lawton, "The Housing Problems of the Community Resident Elderly," draft paper prepared for the Conference on Housing of the Independent Elderly sponsored by the HUD Office of Policy Development and Research, December 16, 1977.

6. HUD, 1976 Statistical Yearbook, Table 109, p. 170.

7. "Housing Development Report No. 28," December 12, 1977, p. 667.

8. William Grigsby and Louis Rosenburg, Urban Housing Policy (New York: A.P.S. Publications, 1975), pp. 137-9.

9. For a discussion of the measurement of the well-being of the elderly, see M. Moon, The Measurement of Economic Welfare: The Case of the Elderly (New York: Academic Press, 1977). For data on the composition of wealth holdings of the elderly, see J. Murray, "Homeownership and Financial Assets: Findings from the 1968 Survey of the Aged," Social Security Bulletin (August 1972), pp. 3-22.

10. In 1976, the poverty threshold for the elderly was $3,232 for two-person elderly households and $2,572 for one-person elderly households. U.S. Department of Health, Education and Welfare, Income and Poverty Among the Elderly: 1975 (April, 1977), table 3.

11. Department of Health, Education and Welfare, Income and Poverty Among the Elderly.

12. Substantial variations in the proportion of population aged 60 years and over exist by state, however. The concentration varies from 2 percent in Alaska to 15 percent in Florida. A heavy incidence of elderly is found in the New England and North Central states. New York has the largest total number (1.9 million), while three other states have elderly populations amounting to 1 million or more: California (1.7 million), Pennsylvania (1.2 million), and Illinois (1.0 million).

13. 1970 Census of Population, Low-Income Population (1973), table 1, pp. 5-6. For more on the location of the elderly, see B. W. Smith and J. Hiltner, "Intraurban Location of the Elderly," Journal of Gerontology, 30 (1975), pp. 473-5.

14. M. Moon, op. cit., table 1.1, p. 4.

15. B. Soldo, "The Housing Characteristics of Independent Elderly: A Demographic Overview," draft paper prepared for the Conference on Housing of the Independent Elderly sponsored by the HUD Office of Policy Development and Research, December 16, 1977.

16. 1975 Annual Housing Survey.

17. Financial Characteristics of the Housing Inventory, Part C.

18. Note the discrepancy with HEW statistics, which list 3.3 million persons as poor. At a minimum, the Annual Housing Survey would yield 4.3 million persons.

19. "The Housing Expense Burden of Households Headed by the Elderly," The Gerontologist, 5 (1977), pp. 447-8.

20. Bureau of Labor Statistics, "Three Budgets for a Retired Couple, Autumn 1976."

21. Bureau of Labor Statistics, "Autumn 1976 Urban Family Budgets and Comparative Indexes for Selected Urban Areas," Bulletin 1571.

22. 1975 Annual Housing Survey, Part C, Financial Characteristics of the Housing Inventory, table A-1, p. 1.

23. Note also that the cash outlay definition does not include the opportunity cost of the owner's equity investment. See Feins and White, The Ratio of Shelter Expenses to Income: Definitional Issues, Typical Patterns and Historical Trends (ABT Associates, Inc., 1977), chap. III.

24. Discounts of 10-15 percent for comparable housing after 10 years of residence were reported by Sally Merrill, "Draft Report on Hedonic Indices--Housing Allowance Demand Experiment" (ABT Associates, Inc., 1976), pp. 51-2.

25. Approximately 2.8 million renter households with incomes under $3,000 pay more than 35 percent of their income for housing (1975 Annual Housing Survey, Part C, Table A-1, p. 4). Since the elderly represent 36 percent of the category with incomes under $3,000, it is likely that over 1 million elderly renters have an excessive burden. An additional 2.3 million renter households with incomes between $3,000 and $5,000 pay more than 35 percent of their income for rent. Since the elderly represent 31 percent of this group, another 700,000 can be added to those with an excessive burden.

26. A brief description of these programs (except Section 8) can be found in H. Aaron, Shelter and Subsidies (Washington, D.C.: The Brookings Institution, 1971). Section 8 is described in Answers to Questions on Section 8--Lower Income Housing Assistance--Under the Housing and Community Development Act of 1974: A Guidebook (Washington, D.C.: National Association of Housing and Redevelopment Officials, 1975).

27. The only exception to this has been those few elderly in the Section 235 program, which assists households to become homeowners.

28. See Bauer, "The Dreary Deadlock of Public Housing," Architectural Forum, 106 (May, 1957), p. 141; and HHFA, Views on Public Housing (March, 1960).

29. Since 1965 "elderly" has been defined as 62 years of age and older. The term also includes the disabled and handicapped.

30. These participation data, like all those presented in this section, are from income certifications and recertifications; since recertifications are required only half as often for the elderly, they may be somewhat biased.

31. Interestingly, there is a sharp distinction among racial groups. Ten percent of the whites and 8 percent of the Oriental "elderly" are under 62, but 27 percent of the blacks, 28 percent of the American Indian, and 30 percent of the Spanish-American "elderly" are under 62.

32. These figures adjust those in table 19 for differences in the definition of elderly.

33. 1970 Census, United States Summary, General Population Characteristics, Table 52.

34. Ibid.

35. Unpublished Section 8 Management Information System data (March 1978).

36. See Gutowski and Koshel, Methods of Assessing Age Discrimination in Federal Programs (Washington, D.C.: The Urban Institute, November, 1977), pp. 41-61.

37. HUD, Consolidated Development Directory (June 30, 1963), pp. 486-91.

38. I. Welfeld, A New Structure for Public Housing (unpublished HUD paper, 1975), p. 90.

39. In Dallas the average income of one-person households in its project for the elderly was higher than that of many four-person households in the other project. In Los Angeles, the average annual income of $4,386 for one-person households in the leased new units for the elderly was only $479 less than the average annual income of the four-person households in Imperial Courts.

40. BLS, "Autumn 1976 Urban Family Budgets," p. 1. The annual consumption budget does not include amounts for gifts and contributions, life insurance, taxes, and deductions. The total lower budget in 1976 was $10,041.

41. See Urban Systems Research and Engineering, Inc., The Measure of Poverty, Technical Paper III, a Review of the Definition and Measurement of Poverty (U.S. Department of Health, Education and Welfare, 1976), Vol. 1, pp. 25-33.

42. As noted earlier, 20-25 percent of the households in HUD-assisted housing classified as elderly are 62-64 years old or disabled. The assumption made in the text classifies all of these households as above the poverty line, which gives a highly conservative estimate. Additional income data for public housing are presented in S. Loux and R. Sadacca, Estimates of Rent and Tenant Income Levels in Public Housing Under Various Definitions (Washington, D.C.: The Urban Institute, 1977).

43. See Murray, "Homeownership and Financial Assets," and J.C. Henretta and R. T. Campbell, "New Worth as an Aspect of Status," American Journal of Sociology, 83 (1977), pp. 1206-23.

44. U.S. Department of Housing and Urban Development, Office of Policy Development and Research, The Section 202 Program: Housing for the Elderly and Handicapped (draft of a proposed report, October, 1977), pp. 45-6.

45. Section 23, the predecessor of the Section 8 program.

46. U.S. General Accounting Office, Administration of the Leased Housing Program (1970), pp. 37-9.

47. This common sense statement has been verified through a series of statistical analyses in which variations in rents are regressed against structural, neighborhood, and occupant characteristics. Being older is consistently associated with a lower rent, after controlling for the other factors.

48. Building the American City, report of the National Commission on Urban Problems to the Congress and to the President of the United States, 91st Congress, 1st Session (1968), p. 128.

49. Grigsby and Rosenburg, Urban Housing Policy, pp. 178, 199.

50. Below 80 percent of the median.

51. HUD, 1972 Statistical Yearbook, Table 233, p. 258.

52. Op. cit., Table 17, p. 14.

53. Op. cit., Table 18, p. 15.

54. An overview of some existing housing alternatives is given in B. Liebowitz, "Implications of Community Housing for Planning and Policy," *The Gerontologist*, 18 (April 1978), pp. 138-43. One of these alternatives, operated by the Philadelphia Geriatrics Center, is being intensely evaluated. A general description of it is provided in E. M. Brody, "Community Housing for the Elderly: The Program, the People, the Decision-Making Process, and the Research," *The Gerontologist*, 18 (April 1978), pp. 121-28.

55. Further income data for public housing are in Loux and Sadacca, *Estimates of Rent and Tenant Income Levels*, p. 40. Also note that the proposal would not involve making those households currently participating in the programs (but with incomes above the new limit) leave the program. The standard would apply to new entrants.

56. 24 C.F.R. 889.103.

57. Lopata, "Widowhood in the American City" in Hess, *Growing Old in America* (1976), pp. 219, 227-8.

58. 1975 Annual Housing Survey, Part A, General Housing Characteristics, Table A-1.

59. Based on the following formula: $0.95 \times \frac{\$3{,}510}{48}$, where 48 combines the 25 percent rule and converts annual income into monthly income.

60. Lawton, "Housing Problems of Community Resident Elderly," p. 3.

61. The concept has been detailed in I. Welfeld, "America's Housing Problem" in Welfeld *et al* (ed.), Perspectives on Housing and Urban Renewal (New York: Praeger, 1974), pp. 37-40. See also S. L. Baskin, "Evaluation of a Proposed Elderly Condominium Program" in *Housing in the Seventies: Working Papers*, Vol. II (Washington, D.C.: U.S. Government Printing Office, 1976), pp. 1195-1205.

62. HUD prepared two comparative studies of subsidy costs in 1977. In the first, by the Office of the Counsellor, the capital cost for a one-bedroom unit was $24,000 for an FHA-financed Section 8 unit and $20,000 for a public housing unit. In a study done for the Office of Policy Development and

Research, the cost for a typical two-bedroom unit in a suburb of a medium sized SMSA was \$15,300 for an FHA-financed Section 8 unit and \$14,300 for a public housing unit. See Diamong, Comparative Overall Subsidy Costs for Subsidized Housing Programs (April 1977), p. 10; and Bruggman, A Comparison of Subsidy Costs: Conventional Public Housing and Section 8 with Section (d)(4) Financing (September, 1977), p. 7.

63. With the proceeds of the sale used to purchase the condominium, the participant would avoid capital gains taxes.

64. This fraction, substantially less than the standard 25 percent, recognizes the capital costs already being paid by the elderly in the form of the opportunity cost of the capital invested in housing.

65. To further ensure that owners have an incentive to reduce maintenance costs, the subsidy would be further limited to a fraction of the maintenance cost, e.g., to 50 percent of the first \$600 of the annual nondebt service costs, 25 percent of the second \$600, and 15 percent of any amount over \$1,200, up to a level to be set by regulation. The maximum subsidy for a unit with nondebt service expenses of \$1,500 would thus be \$495 (0.50 x \$600) + (0.25 x \$600) = (0.15 x \$300).

66. If elderly incomes rise with the cost of living (as they will under the social security program) and the cost of living and housing costs rise at the same rate, no protection is needed. But for the elderly on fixed incomes, this subsidy guarantee may be essential to induce them to make the housing adjustment.

67. In the studies mentioned in footnote 62, the Office of the Counsellor calculated nondebt service costs at \$1,265 and the Office of Policy Development and Research at \$1,412.

68. M. P. Lawton, E. M. Brody and P. Turner-Massey, "The Relationships of Environmental Factors to Changes in Well-Being," The Gerontologist, 18 (April 1978), p. 137.

69. Under this type of RAM, interest on the implicit loan continues to accrue. If the principal and deferred interest become greater than the value of the property, the lender requires the household to pay additional interest before sale of the property.

70. This estimate is doubly conservative because 25 percent of income is being used, not the 35 percent figure justified earlier.

71. A more generous program could add an amount for maintenance to the operating expenses. If the subsidy were applied to operating expenses plus $300 per year for maintenance, the number of eligible households doubles and the average subsidy per recipient rises to $499 per year.

72. For a thorough discussion of the points, see Ira Lowry, Equity and Housing Objectives in Homeownership Assistance (Santa Monica: The Rand Corporation, WN-8715-HUD, 1974).

73. Raymond J. Struyk and Deborah Devine, "Determinants of Dwelling Maintenance Activity of Elderly Households," unpublished HUD paper, December, 1977.

74. Rand, Third Annual Report of the Housing Assistance Supply Experiment (February, 1977), p. 110.

75. N. Mayer, Homeownership: The Changing Relationship of Costs and Income (Washington, D.C.: Congressional Budget Office, 1976).

76. Jacobs and Rabushka, The Elderly Homeowner: A Proposal for Further Study (Department of Housing and Urban Development, Office of Policy Development and Research, May 1976), Appendix B, p. 179; and Gutowski, Integrating Housing and Social Service Activities for Elderly Households (draft paper, no date).

77. Roger S. Ahlbrandt, Jr., Home Maintenance Programs: A Necessary Ingredient for Neighborhood Preservation? (Pittsburgh: University of Pittsburgh, unpublished).

78. Jacobs and Rabushka, op. cit., pp. 181-2.

79. Ibid., pp. 176-7.

80. Council for International Urban Liaison, "Urban Innovation Abroad" (November 1977), p. 2. The British have pursued a variant of this approach by clustering a few units of elderly council housing in residential areas and are attempting to give preference to elderly with children living nearby. See Housing the Elderly: How Successful Are Granny Annexes? (London: Department of the Environment, HUD Occasional Paper, January, 1976).

81. Soldo, op. cit., p. 33.

82. Phillip Weitzman, "Mobile Homes: High Cost Housing in the Low Income Market," Journal of Economic Issues, 10 (1976), pp. 576-97.

83. See McGraw-Hill, A Study of Comparative Time and Cost for Building Five Selected Types of Low-Cost Housing, in the report of the Presidential Commission on Urban Housing (1968), Vol. II, p. 8.

84. HUD, International Information Series, No. 21 (March 15, 1973), p. 4.

85. Williams, "A Housing System for Older Persons in Massachusetts" (January, 1977), pp. 4-5.

86. R. Struyk, The Housing Situation of Elderly Americans (Washington, D.C.: The Urban Institute, 1976), p. 7.

87. Ibid.

88. "When a person has no option, evaluations...may include some element of defense. This possibility is suggested by comments of many investigations working with older people in poor housing to the effect that the evaluations of their situations by the old are consistently more favorable than those of data collectors and other observers." Frances Carp, "Housing and Living Environments of Older People" in Bienstock and Shanas, Handbook of Aging and the Social Sciences (New York: Van Nostrand Reinhold Co., 1977), p. 256.

89. It should be noted that these data are nationwide averages and do not reflect complaints by locale. Statistics for central cities, where crime is a greater concern, are not highlighted.

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