

NYAHSA & **The CENTER**
for senior living & community services

Public Hearing Testimony:

Budget Hearing on Housing

Presented by:

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Introduction

Good afternoon. My name is Carl Young, president of the New York Association of Homes and Services for the Aging (NYAHSA), and I am here with Stuart Kaplan, chief executive officer of SelfHelp Community Services, to present testimony regarding housing priorities for seniors that should be addressed in the 2008-09 budget. Our testimony today will focus on the need to develop a range of housing and supportive service options for seniors in New York state, particularly for low-income seniors.

Founded in 1961, the New York Association of Homes and Services for the Aging (NYAHSA) is the only statewide organization representing the entire continuum of not-for-profit, mission-driven and public continuing care, including senior housing, nursing home, adult care facilities, continuing care retirement communities, assisted living and community service providers. NYAHSA's over 600 members serve an estimated 500,000 New Yorkers of all ages annually.

Selfhelp Community Services of New York City was founded in 1936 and provides a full spectrum of services for the frail elderly and families at risk of losing their independence through a legacy of care, leadership and innovation. Selfhelp's housing includes three HUD Section 202 for the elderly programs; six affordable housing facilities with over 1,000 residents; two Mitchell-Lama programs; and one housing facility financed through bonds issued by the Municipal Assistance Corporation (Big Mac) – all that offer social services, health care services and activities.

On behalf of NYAHSA and Selfhelp, I want to commend you for seeking input on what we believe is an urgent public policy need. Our vision is that New York will achieve housing and service capabilities equal to consumer need and choice. We appreciate the opportunity to share our thoughts and concerns.

The Need for Affordable Senior Housing

Senior housing provides the most natural, most affordable, and most flexible congregate living arrangement in the long term care continuum. It is unique in its ability to promote independence,

preserve dignity, and offer service choices for seniors in a cost effective environment. It offers an ideal platform on which to cost-effectively deliver home health care such as bathing, dressing, and medication administration, and community senior services such as meals on wheels, adult day care, senior centers, and homemaker services. The availability of these services enables seniors to remain in independent housing for as long as possible.

Unfortunately, these services are not widely available due to a patchwork of inadequate, overlapping and conflicting financing sources, transportation difficulties, and a lack of service coordination/case management. The unmet need for affordable senior housing is enormous. A 2003 U.S. Department of Housing and Urban Development (HUD) report indicated that 1.2 million seniors have “worst case” housing needs by having incomes below 50 percent of family median income for their area; paying more than half of their income for housing or living in severely substandard housing; and not receiving federal, state or local housing assistance.¹

As the need for subsidized housing dramatically increases in New York and across the country, the financial commitment from the federal government is decreasing. Nationally between 1995 and 2004 the number of new HUD subsidized senior apartments declined by 29 percent, and production in fiscal year 2004 was 58 percent of the production levels of the early 1980's.² In addition, the financial assistance needed for preservation of the current subsidized housing apartments is great. Most of the elderly-specific HUD and state Mitchell-Lama housing projects, which were built in the 1960s and early 1970s, are in need of millions of dollars worth of renovations to retain safe environments.

The decrease in affordable housing comes at a time when the number of seniors in need of quality affordable apartments is increasing. The demographic profile of Americans is about to reflect the most dramatic change in our nation's history. According to the United States Census Bureau's 2000 statistics, there are currently 35 million Americans over age 65. This population is expected to double by year 2030, and reach 82 million by 2050.³ Over half of the elderly in the United States live in just nine states. New York, the third ranking state with over 2.4 million senior residents, assumes a large portion of the responsibility for our nation's elder care.⁴

In the New York City metropolitan area, waiting lists often number in the thousands at each project and seniors can wait five to ten years before openings become available. While the availability of affordable housing is currently a crisis in the greater New York City metropolitan area, the demographics suggest the housing shortage will be exacerbated throughout New York state and across the country in the near future. Making matters worse, several subsidized property owners are “opting out” of HUD’s Section 8 federally assisted and insured multifamily housing stock and the state Mitchell-Lama program. This is because HUD limits the rents in subsidized housing and owners in locations with strong housing demand see opportunities to increase their rental rates as they are able to leave the subsidized program after their 20-35 year mortgage expires.

Recently, the owners of Trinity House in New York City applied to convert 161 of their rent subsidized Mitchell-Lama apartments into market rate condominiums.⁵ While the current residents will be able to stay at their subsidized rental apartments, once a resident vacates, the apartment will be turned over to market rate rents reducing the number of already-scarce subsidized apartments in New York City. Likewise, in the Lender House, a similar Mitchell-Lama two-bedroom converted apartment, is now being listed for \$1.2 million

The real crisis is what happens to the seniors waiting for subsidized housing. Supplemental Security Income (SSI) is the federal income program for seniors with long term disabilities with very few or no assets. New York seniors on SSI receive \$710 per month, or \$8,520 per year – 13 percent lower than the federal poverty level of a single person household.⁶ Finding affordable housing in New York state is virtually impossible for seniors on SSI and without Section 8 rental assistance. The average SSI payment needed to rent a one-bedroom apartment in New York is 137.5 percent of the market rate; for a studio apartment the percentage is 126.6.⁷ Seniors living on SSI without the Section 8 program usually pay a majority of their income for substandard housing and neglect their basic health and safety needs. As a result, these seniors often will experience costly hospitalizations and placement in skilled nursing facilities. The result is higher Medicaid costs for New York state.

In addition to an affordable apartment, many seniors need services such as home care and personal care to remain in a community setting. AARP reports that 20 percent of seniors in rental housing have some difficulty in performing activities of daily living, and that number rises to 26 percent for those seniors in subsidized housing.⁸ Policy changes and dedicated funding are needed to meet the housing and service needs of seniors now and into the future.

It is great to see that state agencies in charge of senior housing and supportive services, including the New York State Division of Housing and Community Renewal (DHCR), the New York State Office for the Aging (NYSOFA) and the New York State Department of Health (DOH), are working to coordinate their efforts to provide affordable housing and supportive services for New York seniors.

Funding housing and supportive services makes economic sense and is a good investment. Adding funding to affordable senior housing continues and expands the principles espoused by the Berger Commission by investing state and federal funds where seniors are in the first place — their own homes.

Funding Opportunities

In recent years, funding for the Low Income Housing Trust Fund (including the Senior Housing Initiative), the HOME program, the New York State Low Income Housing Tax Credit Program and the Community Development Block Grant (CDBG) funding has been level funded.

Although state housing programs largely remain intact, funding for senior housing programs will fall dramatically short of the need for development and administration of affordable housing for New York's seniors. By changing parts of existing housing programs for seniors, and adding new development and preservation housing programs, New York can provide opportunities that encourage affordable service-enriched housing for our seniors.

Low Income Housing Tax Credit Program

The Low Income Housing Tax Credit Program (LIHTCP) is the nation's primary tool for

developing affordable rental housing, generating about \$4 billion annually for development. Since its creation in 1986, the housing tax credit has produced more than one million affordable homes for low-income renters. The LIHTCP provides a dollar-for-dollar reduction in federal income tax liability for project owners who develop, rehabilitate, and acquire rental housing that serves low-income individuals.

Tax credits are available in nine percent and four percent allocations over a ten-year period. Projects that are allocated the nine percent tax credits are able to realize millions of dollars more in debt service reduction or modernization funds than projects financed with four percent credits. Many projects receiving tax credits also utilize another governmental subsidy as part of their project financing. To date, New York state has one of the highest not-for-profit (NFP) participation rates in the program of any state in the nation. The credit is available to the project owners only on units that are occupied by low-income households. Apartments supported by the housing credit are targeted for 20 percent of the units for residents with incomes at or below 50 percent of area median income (AMI), or 40 percent of the units whose income is at or below 60 percent of AMI. Tax credits can be used for a portion of the units in a building. In such cases, market rents can be applied in the remainder of the building.

Like the federal LIHTCP, the New York State Low Income Housing Credit Program (SLIHCP) is designed to provide affordable housing. The SLIHCP provides subsidized housing to the upper low-income individual of 90 percent of AMI. Most of the apartments are targeted to individuals in the income range of 60 to 90 percent of AMI, allowing for mixed income affordable housing by combining projects with the federal LIHTCP and SLIHCP. The SLIHCP provides a dollar-for-dollar reduction in state income tax liability.

NYAHSA members are using tax credits increasingly as a way to develop new senior communities and extensively renovate existing facilities. Selfhelp recently completed one of the state's first refinancings of a subsidized senior housing facility using tax credits at Scheuer House of Bayside. By taking advantage of four percent tax credits, there will be \$3.85 million in renovations to improve apartments and common areas for their residents, and \$2.5 million in supportive services for years to come.

NYAHSA commends DHCR for proposed changes in the qualified allocation plan (QAP) for LIHTC projects, currently under public comment, including specifying the frail elderly as a “special needs” population and encouraging development of supportive housing that:

- Ensures the delivery of appropriate services, for which a documented need exists, to the targeted population;
- Includes transportation for special needs populations;
- Provides funding for supportive services;
- Provides an ongoing rental subsidy or other form of subsidy which will be available to ensure that rents paid by the targeted population remain affordable; and
- Incorporates accessibility features into the buildings.

NYAHSA encourages the following changes in the LIHTCP:

- Increase the score for “Persons with Special Needs” in the QAP from the current five (5) points to increase the chances to fund affordable senior housing;
- Set-aside nine percent federal Low-Income Housing Tax Credits to be available to develop not-for-profit senior housing supportive housing facilities and preservation projects;
- Give priority to existing NFP senior facilities seeking modernization funding over other market-rate development projects in awarding nine percent tax credits;
- Encourage the creation of mixed-income, mixed-financed communities by enabling sponsors to combine their HUD Section 202 allocations with the LIHTCP; and
- Set aside Section 8 vouchers at the local housing authority for applications of “persons of special needs” LIHTC projects.

The HOME and CDBG Programs

HOME is a federally funded program for housing enacted in 1990 as part of the National Affordable Housing Act. The HOME Program uses federal funds to expand the supply of decent,

safe, and affordable housing within the state. The program provides funds to acquire, rehabilitate or construct housing, or to provide assistance to low-income homebuyers and renters. NYAHSA providers of affordable senior housing primarily use the HOME and CDBG programs as ancillary, yet critical, funding sources. Due to the lack of full funding to develop new senior housing in grant awards, especially in HUD Section 202 and LIHTC programs, CDBG funds are used to fill the funding gaps.

Rental projects must primarily serve households with incomes at or below 60 percent of AMI. Assisted rental units must remain affordable for a period of between five and 20 years, depending on the initial amount of subsidy provided for the project. Fifteen percent of each allocation of HOME Program funds is reserved for qualified community housing development organizations, including NFPs, in accordance with federal law.

NYAHSA encourages the following changes to the HOME and CDBG programs:

- Provide a New York state set-aside program through HOME to construct and renovate NFP senior housing communities;
- Support additional HOME allocations to offset the Davis-Bacon federal construction wage requirements for HOME funding;
- Award project funding to build features needed to allow access to supportive services in both state and federal senior housing;
- Allow funding through the HOME Tenant-Based Rental Assistance program for persons in the Nursing Home Transition and Diversion (NHTD) and Money Follows the Person (MFP) waiver programs to receive Section 8 rental assistance. While the maximum allowable term of this funding is 24 months, this assistance could allow the transition of the NHTD and MFP persons into subsidized housing immediately while waiting for a Section 8 voucher to become available through the local public housing authority. DHCR could assist in ensuring public housing authorities support this initiative; and
- Encourage local governments to apply for the CDBG Community Planning funding, through the Office for Small Cities, to develop a model plan for local government to

identify the activities required to encourage and sponsor the transition of seniors from nursing homes into subsidized senior housing.

Planned Affordable Retirement Communities (PARCs) The long term care system, including home care, independent senior housing, assisted living and skilled nursing facilities, is poised for dramatic change. Increasing state Medicaid expenditures are forcing policymakers to consider less costly alternatives to nursing home care. Consumers prefer to “age in place” while receiving services in their home. Old ways of thinking about progressing along the long term care continuum as health acuity increases are being revisited with developing new home and community based models within a “person first” philosophy.

While there will always be a need for skilled nursing facilities to care for the most infirm New Yorkers, several housing providers have led the way in developing innovative senior housing and supportive service facilities for their communities that limit the need for nursing home placement.

NYAHSa is proposing state funding for a new, innovative program to support the development of supportive housing plus services. The Planned Affordable Retirement Community (PARC) concept is a specific and planned approach to developing an affordable housing and supportive services community in a current government subsidized senior housing facility and surrounding neighborhood. Nearly every community in New York state has a federally subsidized HUD senior housing (Section 202, 202 PRAC, 236) or state subsidized senior housing (Mitchell-Lama, Low Income Housing Tax Credit Program) facility that could apply for funding under the PARC program. The PARC would be a community where low and moderate income seniors could age in place while having supportive and health care service available in close proximity to their home.

The characteristics of a PARC would include:

- In-place subsidized senior apartments;
- Integrating neighborhood seniors into services offered;

- Partnerships with local service agencies to offer health and supportive services within the subsidized housing complex for seniors in the building and surrounding neighborhood;
- Educational opportunities and programs for all seniors in the building and neighborhood;
- Common area for seniors to gather for social and recreational activities; and
- Individual assistance for seniors in arranging for federal, state and local assistance programs to remain independent;

There would be two components needed to develop a PARC: capital funding and ongoing support. Since most subsidized housing facilities were not designed to offer supportive services within the building, a capital funding stream would be needed to add building office space for individual health assessments and counseling; common space designed to offer group information sessions and activities; parking for health care providers and community supportive services staff; and office equipment and high speed computer access. In addition, ongoing funding for staff to coordinate outside health and community services and assist individual seniors would be necessary.

Affordable Housing and Supportive Services Summit

Across the country there are numerous housing and supportive services models allowing seniors to age in place in affordable congregate settings. In a 2006 study the American Association of Homes and Services for the Aging's (AAHSA) Institute for the Future of Aging Services (IFAS) examined long term care strategies that integrate affordable independent housing with health and supportive services so that low and moderate income older adults who are frail or disabled are able to remain in homes and community. Entitled *Creating New Long Term Care Choices for Older Adults*⁹, the report reviews several "best practices" of housing and supportive services programs. No one program will be able to meet all the needs of current and future seniors; however, by examining successful national models of housing and supportive services programs, New York state could build on the innovative programming ideas throughout the country to fund future programs. In the long run, developing innovative housing and service programs will save state Medicaid funds by allowing seniors to obtain services in their home.

NYAHSA encourages:

- Adding funding for a New York State Affordable Housing and Supportive Services Summit in 2008 modeled after the successful Long Term Care Restructuring Summit held June 21 in Albany.

Additional Funding Opportunities

The U.S. Supreme Court ruled in *Olmstead v. L.C.* that two developmentally disabled women with mental illnesses were discriminated against when they remained institutionalized in a Georgia state psychiatric hospital, despite the approval of community-placement by their state authorized treatment professionals and their desire to reside elsewhere. *Olmstead* was recognized immediately as a landmark decision that had the potential to dramatically impact the manner and scope of community-based services provision for disabled persons of all ages, including seniors, in New York and other states.

NYAHSA encourages policymakers and the Legislature to support creative ideas for developing senior housing facilities and accompanying supportive services to meet the demand of an increasingly frail senior population.

NYAHSA encourages the following additional changes:

- Increase funding for NORCs throughout New York state. Congregate housing is an ideal platform on which to build supportive services in a cost-effective way. However, existing and potential sponsors encounter difficulties arranging affordable project financing, accessing development/start-up funds, securing funding for ongoing operating costs, and navigating multiple bureaucracies inherent in combining housing with supportive services. To encourage the development of more NORCs and NNORCs, the state should also increase its financial commitment to this very successful program;

- Exorbitant real property taxes can mean the difference between financially feasible affordable housing and continuing care retirement communities (CCRCs), and none at all. Affordable senior housing is without question a vital community service for which real property taxes represent a significant barrier to development. The decision to access property taxes or a municipal service agreement is at the discretion of the local municipality. Amend the Real Property Tax Law Section 422 (1) (c), to clearly provide tax exemptions for NFP housing corporations that develop affordable housing and assisted living facilities.

- The “Access to Home” program is designed to provide financial assistance for adaptation and accessibility changes to homes occupied by low and moderate-income people with disabilities. NYAHSa encourages increased funding under this program to allow seniors living in low-income congregate housing to remain longer in their home. Improvements to congregate housing facilities would also be available to future residents of that apartment that allows for a longer use of these capital improvements.

- Enact further changes to Article 46 of the Public Health Law to encourage development of life care, modified and fee-for service CCRCs in New York state. and

Permanently extending the authority granted local Industrial Development Agencies (IDAs) to finance certain civic facilities, including senior housing and nursing home projects. With the “sunset” provision expiring on January 31, 2008, it is imperative to make IDA financing for civic facilities permanent. Lawmakers should also eliminate the \$20 million cap on IDA civic facility financing and allow for IDA financed projects to use bond anticipation notes for interim project financing.

Conclusion

NYAHSa members are committed to providing a safe, affordable, quality driven home with supportive services to their residents. NYAHSa encourages the state to assist senior housing providers by implementing our recommendations to meet the tremendous future needs of New

York's growing senior population. These recommendations include providing capital financing for senior housing, along with funding the supportive services seniors need to remain independent. The process of developing senior housing includes market studies, site acquisition, architectural drawings, securing funding, zoning reviews, and construction that take several years to complete. Building senior communities that will meet the state's needs for affordable and market driven housing in the next ten years begins with approving funding now for existing programs and making legislative changes to develop innovative housing models.

There is a growing awareness that senior housing can serve a wider segment of the aging population if the right funding is provided along with appropriate legislative and regulatory changes.

By starting now, New York can make the necessary changes for housing professionals to provide the quality homes and services so desperately needed for the seniors today and in the future.

On behalf of Selfhelp and NYAHSA, thank you for your interest in the future of senior housing and for the opportunity to testify today.

Endnotes

¹ Section 202 Supportive Housing for the Elderly. AARP Report: July 2005.

² Ibid.

³ Projections of Total Resident Population by 5 – Year Age Groups. U.S. Census Bureau. Census 2000.

⁴ Ibid.

⁵ School Moves to Sell Its Middle-Class Housing. New York Times: December 10, 2007. Page B3.

⁶ Priced Out in 2006: The Housing Crisis for People with Disabilities. Consortium for Citizens with Disabilities Housing Task Force: 2007. Page 2.

⁷ Ibid. Pages 8-9.

⁸ Serving the Affordable Housing Needs of Older Low-Income Renters: A Survey of Low-Income Housing Tax Credit Properties, AARP 2002. Page 1

⁹ Creating New Long Term Care Choices for Older Adults. AAHSA-IFAS: 2006