

Attachment C – Research on Senior Housing Costs and Cost of Living for Households 75 and Older

Research on Ratios of Monthly Fee to Monthly Income in Independent Senior Living Rental Developments

City staff contacted nine market-rate independent living properties in Montgomery County that provide housing and services that generally include utilities, meals, housekeeping, transportation, and activities. Based on conversations with staff at these properties, there is no industry standard for determining the appropriate monthly fee to monthly income ratio for residents. One property that was contacted uses a 70 percent ratio of the monthly fee to monthly income. One property recommended a more conservative 60 percent ratio for independent living units.

The majority of properties do not have any formal financial qualification or verification for applicants, but collect financial information from participants and project the number of years an applicant could afford to live at the facility. One staff person said that if it appears to be too expensive, they suggest the property is not the best option for the individual. Another staff person said children or other relatives often co-sign the lease, giving an added guarantee without financial verification.

In addition to staff research, the applicant for Brightview Town Center provided information about an independent senior living development in New Jersey, which is subject to local and state inclusionary zoning laws. The units are regulated at the state level by the New Jersey Council on Affordable Housing which determined that 80 percent of gross household income could be spent on the monthly fee for independent living units. Out of the independent living providers City staff spoke to in Montgomery County, only one staff person had heard of the 80 percent ratio of monthly fee to monthly income as an industry standard; he thought it was reasonable, but did not use it. Two other people who had not heard of the 80 percent ratio as an industry standard, did not think the 80 ratio was sufficient.

Research on the Costs of Living for Seniors 75 and Older

According to the Employee Benefit Research Institute Issue Brief No. 368 on the *Expenditure Patterns of Older Americans*, in 2009 households that were 75 – 84 years old spent 42 percent of their income on housing expenses, 13 percent on food, 10 percent on transportation, for a total of 65 percent of annual expenditures. Remaining expenditures were spent on health care (15%), clothing (3%), entertainment (9%), and on charitable gifts or cash gifts to family and friends (8%). The data is based on the Consumption and Activities Mail Survey (2001-2009) that was part of the Health and Retirement Study sponsored by the National Institute of Aging and the Social Security Administration.¹

According to the Bureau of Labor Statistics Consumer Expenditure Survey from 2011, households that are 75 or older spend 37 percent of their income on housing expenses, 14 percent on food, and 13 percent on transportation, totaling 64 percent of annual expenditures. Remaining expenditures include healthcare (14%), entertainment (4%),

¹ Banjerjee, Sudipto. *Expenditure Patterns of Older Americans, 2001-2009*. Employee Benefit Research Institute. February 2012; Issue Brief No. 368. Accessed on September 5, 2013 at http://www.ebri.org/pdf/briefspdf/EBRI_IB_02-2012_No368_ExpPttns.pdf

apparel (3%), other expenses (3%), personal care (2%), insurance (3%), and cash gifts and donations (7%).²

² Bureau of Labor Statistics. Consumer Expenditures in 2011. April 2013; Report 1042. Accessed on September 5, 2013 at: <http://www.bls.gov/cex/csxann11.pdf>