Generation gap in retirement housing

Demand for retirement housing is on the rise. New developments cater to the well-to-do, government subsidies may house the poor. In between? Not much

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It won't be easy for Bob Salmons to give up his two-story home in the Berkeley Hills, but the 67-year-old is getting ready to move into a retirement complex.

Salmons and his wife have put down a $500 deposit to reserve a unit in Phoenix Commons, a 41-unit project under development along the Oakland Estuary where one- and two-bedroom units range from $350,000 to $650,000. They'll move in two years from now.

"Honestly, I like it where I am — we have a very nice house and know all our neighbors," Salmons said. "All of this is offset with the knowledge that I'll never be younger than I am today. I have to think about mobility issues."

Spencer Brown

"A lot of Baby Boomers want more control of their personal retirement," says Lauren Zimmerman Cook, with founder Christian Zimmerman of Elder Village Development.

Demand for senior housing, already unsatisfied, will swell in decades to come as Baby Boomers like the Salmons age, resulting in millions of seniors similarly looking for retirement housing. Many will be unable to find it — or afford it. The crunch is expected to be especially acute for people in the middle-income brackets, who are neither wealthy enough to afford the upscale, amenity-rich retirement complexes developers are rushing to build, nor poor enough to qualify for scarce government-subsidized retirement housing. There is very little housing being developed in between.

"It's a looming crisis," said Dave Ferguson, president and CEO of American Baptist Homes of the West, a Pleasanton-based senior housing developer. "I see what happens to families. They think they've saved up money (for retirement), but then they end up in a nursing home and they are shocked when there are no programs to fund it. People are not prepared for that."

The population of people older than 65 in the United States is expected to double from about 40 million in 2010 to more than 81 million in 2050, according to the Pew Research

Center. The nation will go from having one in eight people older than 65 to one in five. The fastest-growing segment is people over 85, and it's becoming more common to live to 100, which compounds the demand: More people need housing for longer retirements.

Driven by those demographics, many developers can't build retirement facilities fast enough or find enough land in desirable areas.

Looking for land

At Stoneridge Creek in Pleasanton, developer Continuing Life Communities secured a 50-acre site that contains a five-acre public park and entitlements for up to 635 units. So far, the developer has built 414 homes on 36 acres ranging from studios to three-bedroom, single-family homes that welcomed their first residents this past year.

"This is the largest retirement community in the Bay Area," said Troy Bourne, project manager for the development. "Pleasanton is such a phenomenal city. When we had the opportunity to build a community here, we jumped all over it."

The community features a fitness center with an indoor pool, bocce ball court and putting greens and a 50,000-square-foot clubhouse with game rooms, a restaurant, library, movie theater, auditorium and lounges. An events concierge plans activities like sporting events, wine tours or theatre performances. The setting and services give the place the feel of a college campus.

Residents pay an entrance fee to lock in their unit plus a monthly fee. Entrance fees start near the upper $200,000s for the condo units and go well over $1 million for the single-family homes. Monthly fees start near $2,000, which covers utilities, taxes, onsite services, some meals and longterm care once the resident needs assisted living or skilled nursing.

Bourne said the range of unit sizes makes the community accessible to a variety of income levels, but no one could afford it on Social Security alone — residents typically sell a home they owned to pay the entrance fee. He expects the first phase to sell out in 2015.

"There's no question there's not sufficient supply of senior housing in the Bay Area or in California or in the whole country," he said.

His firm, based in Irvine, has built three other similar communities and is looking for more sites, typically of at least 15 acres. Finding sites is by far the firm's biggest challenge.

Another developer, Chris Kasulka, president and CEO of Oakmont Management Group, said his firm will look at sites as small as two acres. Oakmont operates 30 retirement communities, including one that recently opened called Fountain Grove Lodge in Santa

Rosa. That property caters to lesbian, gay and transexual seniors and is more than 75 percent leased.

“Any place where it is kind of difficult to get land, that’s where all the pent-up demand is,” Kasulka said, citing the Bay Area as a prime example. “If you go out to Central California, there’s plenty of land out there, but not as many people who need our services.”

Few options for low-income seniors

On the low end, nonprofit housing developers also grapple with the scarcity of sites and funding, and growing need, especially from homeless seniors, said Susan Friedland, executive director of Satellite Affordable Housing Associates.

The firm recently opened Merritt Crossing, a 70-unit senior project in Oakland where half the units were set aside for homeless seniors. The project drew more than 1,000 applications.

“Many of the residents had worked their whole lives, but were living under an overpass,” she said. “Some seniors who were homeless may not have any furniture, so they may come with only a bag of clothes. So many are so vulnerable and their incomes are so low on Social Security. It’s really heartbreaking.”

Seniors who qualify for low-income housing are often charged 30 percent of their income for rent, which can be $300 to $400, while it may cost the developer $1,000 per month to maintain the unit. Developers make up the difference using subsidies from sources such as the U.S. Department of Housing and Urban Development or local government agencies, many of which have cut or scaled back funding in recent years. In 2012, HUD backed housing for about 1.5 million elderly renters nationwide — a number that needs to increase by about 40 percent in the next decade to keep up with demographic changes, according to a recent report from the Joint Center for Housing Studies at Harvard University.

Targeting the middle

Elder Village Development, the developer behind Phoenix Commons, wants to provide options for people caught in the middle — though its upfront price also targets those sitting on a large amount of home equity.

“Baby Boomers have watched their parents go into assisted living and they don’t want to have the same experience,” said Lauren Zimmerman Cook, CFO of Elder Village Development. “A lot of Baby Boomers want more control of their personal retirement.”

Construction is just starting on Phoenix Commons and could be ready for residents as early as late 2014 or early 2015. Ownership of the community will be divided co-op style among owners who pay for their unit and also pay monthly homeowner’s fees and contribute labor or services such as gardening or accounting.

Salmons, the future resident, said he was initially dubious about joining a co-op.

“I lived through the ’60s and saw people living in communes,” he said. “I knew that was definitely not for me.”

His wife, however, was interested in co-housing and Salmons slowly warmed to it after seeing friends and neighbors die or move into nursing homes. He became concerned about social isolation.

“With co-housing, you have a group of people living together of a similar age, facing similar issues who make decisions as a group for the living situation,” he said. “As you get older, change becomes more of a threat. But, I can either choose to make the change or sooner or later have it forced upon me by circumstance.”