

NO COUNTY FOR OLD BOOMERS

When Orange County Baby Boomers Retire, Where Will They Live?

SUMMARY

More baby boomers are reaching retirement age every year. The swell in aging population growth will affect Orange County's economy and services, especially housing. The 2007-2008 Orange County Grand Jury found that the county is not prepared to meet these housing demands.

By the year 2030, the population segment over 65 will have doubled. As "new" seniors reach this age, the demands for affordable senior housing options will soar. Orange County may find itself with dramatic affordable housing shortages for its seniors or face an exodus of one of its largest population segments, unless plans for accommodating this growth are undertaken now.

The Grand Jury believes that the County of Orange and the individual cities can better anticipate the problem by incorporating essential data into the "Housing Elements" of their General Plans. Every five years the County and the cities have updated the Housing Element of their General Plans as required by the State of California. The update reassesses the housing needs within its community as well as plans for addressing those needs. The Grand Jury found that most of these governmental entities do not give sufficient focus to seniors and the needs to house an aging population.

REASON FOR INVESTIGATION

It is projected that there will be nearly 720,000 people over the age of 60 living in Orange County in the year 2020, a 64% increase from 2005.¹ It is further projected that 60,735 of these will be over 85.² Orange County's 838,000 baby boomers will begin turning 65 in 2011.¹ With the declining trend in employer-funded retirement pensions, the lack of sufficient retirement savings, and the uncertain future of Social Security, it is doubtful that there will be sufficient affordable senior housing options available in Orange County for its aging population. Therefore, the Grand Jury initiated this report to assess the County's and the cities' proposed plans for addressing senior housing to avert this potential aging tsunami.

¹ CA Dept. of Finance, U.S. Census Projections

² Dept of Finance, Demographic Research Unit, 2007

METHOD OF INVESTIGATION

To fully appreciate the demands for resources in the future, it is essential to capture a snapshot of the demographics and needs of the senior population today, including their sources of income, the resources available to them and their cost. The Grand Jury had several interviews with:

- the County of Orange's:
 - Office on Aging
 - Housing and Community Development Agency
 - Resource & Development Management Department's (RDMD) Planning and Development Services, and
- the Housing and Community Development Departments of two cities, and
- a private community master planner.

All provided a large body of documents including:

- 2005-2009 Area Plan from the Office on Aging
- Conditions of Older Adults, 2003 Report, prepared by a subcommittee of the Interagency Committee on Aging (ICA)³
- Listings, with costs and capacities of all:
 - Assisted Living Facilities
 - Board and Care Facilities
 - Affordable Housing
 - Senior Apartments, and
 - Homeless Shelters
- Housing Elements of City and County General Plans
- The Orange County Housing Authority Administrative Plan
- Housing and Community Development Consolidated Plans from sample cities

The Grand Jury attended a housing workshop and a session of the Orange County Planning Commission which focused on its Housing Element development. Articles on the Internet and in the local newspapers were researched and reviewed. Several Assisted Living facilities were contacted to determine costs, accommodations, age ranges and vacancy rates. This research, along with data from California's Department of Finance, allowed the Grand Jury to construct a profile of how seniors today have accommodated their lifestyles with the options available to them.

³ The ICA was a coalition of public and private organizations which, in 2003, including the Office on Aging, the Health Care Agency, CalOptima, the Orange County Transportation Authority, the Housing and Community Services Department, and the Social Services Agency.

BACKGROUND AND FACTS

Housing Elements – What are they?

The County and every city develop a General Plan (usually every ten years) to be the primary blueprint for all of the long-range planning to preserve and enhance Orange County's cities and unincorporated areas. Each General Plan includes seven chapters, or elements, including Land Use, Housing, Circulation, Conservation, Open Space, Noise and Safety.

The State of California Government Code §65584 requires that one of the seven mandatory elements of the General Plan for cities and counties (for Orange County, the unincorporated areas) be a Housing Element. The Housing Element of each jurisdiction is a key resource for assessing how prepared each is in providing appropriate housing for its seniors. These elements are chapters within the General Plan that are written and updated routinely by the planning departments of each city as well as the County. The Housing Element contains assessments and recommendations that guide all future development and addresses the housing problems and needs of the city or county. It contains policies and procedures, goals and objectives, and incentives and programs aimed at resolving those housing issues. These elements are usually updated every five years but they may cover timeframes beyond the five-year period. A recent change in state law, to give the cities more time to comply, allowed for an extension of two-and-a-half years for the current review cycle and has extended the length of future review cycles from five to six years for those counties governed by Southern California Association of Governments (SCAG). It is during this current time period (through June 2008) that the County and most cities are conducting community data gathering workshops. These workshops are intended to solicit the relevant input from participants that will reshape housing plans for future needs. All Housing Elements must be submitted for approval to the State Department of Housing and Community Development by June 30, 2008. They will cover the term of January 1, 2006, to June 30, 2014.

Housing Elements – What they reveal

To assess the local governments' awareness of senior housing needs, the Grand Jury reviewed the most recently published Housing Elements, available on most cities' and the County Resource & Development Management Department's websites (however, not all General Plans and Housing Elements were available online). The most recently published Housing Elements contain data which is used to forecast housing needs primarily on income levels of residents, not age. Very little attention has been paid to senior housing in previous plans. The Grand Jury believes the needs of the aging population can be addressed more proactively through the housing element process. Each element has a section dedicated to describing the housing needs of its "Elderly" residents and assessing the size and growth rate of their senior populations. The Grand Jury evaluated these sections to determine which municipalities had some awareness of the senior "boom" coming their way.

Senior Living Options

As Orange County's population ages, it faces a variety of possible housing transitions from total independence to living accommodations where extensive services may be required to meet its needs. The array of possibilities falls along a wide spectrum of options which contribute to their fulfillment.

As many of the baby boomer generation retire and transition to much smaller fixed incomes, some may stay in their homes if mortgage-free; others may downsize to smaller homes, and some may move to retirement communities, or other affordable housing. Of those remaining in their homes, some may require assistance such as housekeeping services or transportation to the store or to doctors appointments. Many will also require financial assistance to properly maintain their homes. Some aging parents with strong cultural traditions may live with children or other relatives as part of an extended family.

An alternative for some will be to transition into assisted living retirement communities, where services range from accommodated independent living to full-service assisted living. Those in independent living can take advantage of some or all meals provided in a common dining area, housekeeping services, transportation, and planned social activities and trips. Seniors who require more assistance can move to accommodations where all meals, frequent laundry and housekeeping services, transportation to doctors appointments, dispensing of medications and daily social activities are provided.

There are a variety of options for seniors who may need around-the-clock care. Many may receive full-care services through caregivers in the home. Others, with mild physical or cognitive impairment, may live in Residential Care Facilities for the Elderly. These board and care facilities are typically semi-private rooms in a home setting where there are six or fewer beds. And for those with advanced medical conditions and limited mobility, they may live in a full-care nursing facility where medical assistance is available on-site 24 hours per day.

With the large baby boomer population entering the over-65 category in the years ahead (starting with the year 2011), questions arise: where will they live and is the number of senior living options keeping pace with the accelerated growth in this population or will seniors be forced to move outside of the county, a less attractive option for many?

The Picture Today

Currently Orange County has two very large "55 and over" communities, one in Seal Beach and the other in Laguna Woods, where home prices range from under \$100,000 to over \$1,200,000. Of the 3% of homes (approximately 350) available today in Laguna Woods, over 50% are under \$250,000, though monthly residence fees can exceed \$500. Some apartment-like units charge home owner association fees from \$1,300 to \$1,600 per month.

Throughout Orange County there are 112 senior apartments complexes (all but seven have affordable units⁴ within them), and 810 board and care facilities with costs ranging from \$1,200 to over \$5,000 per month. There are currently 93 assisted living facilities in

⁴ Affordable units are defined as those where the rent is less than 30% of the resident's median income.

Orange County with a combined capacity to serve over 10,000 residents. Many assisted living facilities polled by the Grand Jury indicated that they had waiting lists.

According to a source at Community Care Licensing, a division of California Department of Social Services, the average age of seniors living in assisted living facilities is 84.⁵ Orange County's current population over 85 is greater than 34,000, so only one-third of these seniors can currently be served by assisted living facilities. Monthly costs range from \$890 to \$7,100, with an average cost of \$2,800. In the year 2020, the projected population of those over 85 will exceed 60,000. This alone could double the number of assisted living beds needed, driving monthly fees out of reach for many.

Affordable Housing

In 2000 the median annual income in Orange County for those households with one or more members 65 and older was \$38,138 versus the county median for all households of \$58,820. In 2006 the median income of those 65 and older was \$41,850, a 9.7 % growth, while the countywide median of \$70,232 showed a 19.4% growth over the same period. To understand what aging baby boomers face, it is necessary to define what is meant by "affordable housing."

The Southern California Association of Governments (SCAG) and the Regional Housing Needs Assessment (RHNA) have established the income categories which define affordability. These income levels are based on a percentage of the Median Family Income (MFI). The following table shows the income groups and their common designation (e.g. very low, low, etc.). Although there is a countywide Median Family Income, the unincorporated area of the county and each city have separately calculated MFIs based upon the population within each entity. The example below shows the MFI for the entire county.

Income Group	Definition of Income Groups	Orange County's 2007 MFI = \$70,232
Very Low	Below 50% of MFI	Less than \$35,116
Low	51% to 80% of MFI	\$35,116 to \$56,186
Moderate	81% to 120% of MFI	\$56,888 to \$84,278
Above Moderate	Above 120% of MFI	Greater than \$84,278

⁵ "Is assisted living the right choice?" Adapted from *Consumer Reports Complete Guide to Health Services for Seniors*, by Trudy Lieberman and the editors of Consumer Reports.

An important parameter used to measure the affordability of housing is *overpayment*. “State and federal standards state that a household overpays for housing if it spends 30 percent or more of its gross income on housing.”⁶ An example to illustrate this would be:

- Assume the Median Family Income for Orange County to be \$70,000
- Assume the Median Family Income for seniors in Orange County to be \$40,000
- Assume the monthly housing expenditures for these seniors are \$1,200 per month, or 36% of their gross income
- Because \$40,000 is 57% of \$70,000, this family would be considered to be in the low income category and they would have overpaid for their housing because it is greater than 30% of their income
- Affordable housing for this family would need to cost \$1,000 per month or less.
- Affordable housing typically addresses those in the low and very low income groups

The Picture Tomorrow

“Nearly one-third of baby boomers ages 51 to 61 are at risk of not having enough in savings to finance a comfortable retirement, according to a study by the Center for Retirement Research at Boston College.”⁷ Today, retirement benefits for most seniors are paid for with income streams coming from full pensions, Social Security, personal savings, and home equity. With a generation of future seniors lacking in adequate financial retirement planning, with corporate-sponsored pensions disappearing and with a potential collapse of Social Security, the need for affordable senior housing options is critical. Another nationwide study of baby boomers, reported in the McKinsey Quarterly, indicated “that only about a quarter of the boomers are financially prepared for their twilight years.”⁸ It further stated, “At the other end of the spectrum, ‘disadvantaged’ boomers (representing another quarter of the generation’s population) have an average income of only \$15,000 a year and a net worth of \$75,000....The rest of the boomers—50 percent of the generation’s population, controlling almost 25 percent of total US consumption by 2015—envision a comfortable retirement like that of the affluent but haven’t prepared for it. These ‘unprepared’ boomers spend more than they earn and have an average net worth of just 15 percent of their affluent counterparts.” The McKinsey report went on to say, “Our analysis also indicates that 60 percent of boomers will need to work just to maintain 80 percent of their current consumption and that more than 40 percent will be working at age 65. That is twice the number of people from the silent generation [those born from 1925 to 1945] who were working at the same age (30 percent).”

After the Grand Jury reviewed past Housing Elements and some currently under development, and attended a community planning session concentrated on future housing needs, it appears that in most cases there is insufficient focus on housing needs for the senior population. The exceptions are cities like Brea and Costa Mesa, which do an excellent job in monitoring trends in their senior populations. Brea’s housing element states, “According to the Orange County Register, Brea’s senior population is projected to triple by 2020.” These two cities clearly foresee the trend that will ultimately impact them. Most Housing Elements acknowledge the need for affordable senior housing but few

⁶ Brea 2000 General Plan, Housing Element

⁷ The Boston Globe, July 31, 2007

⁸ “Serving **aging** baby boomers”, found in the McKinsey Quarterly 2007 Number 4, by David Court, Diana Farrell, and John E. Forsyth

articulate the need with meaningful data or demographics, such as actual senior population, senior population trends, the median income of seniors today and what they are projected to be for the next decade and beyond. Most references to senior needs are expressed in very generic and unquantifiable terms such as, “Most elderly persons are retired and live on fixed retirement incomes”⁹ or “The proportion of elderly can be expected to increase as those persons between the ages of 35 and 64 grow older.”¹⁰ Some cities do acknowledge the aging baby boomer population but few document how many are senior residents, what their income levels may actually be, what their housing preferences and needs are, and when they anticipate making any housing changes.

Not all cities have a growing senior population segment, but for the most part, the cities and the County (for the unincorporated areas) need to take steps to acknowledge the impact of the aging baby boomers on their cities. Input from city residents in this age segment should drive the Housing Elements through community workshops to specifically include the following:

- The number of residents who are or will be in the 65 and over age bracket within the timeframe of their updated element
- The income segments of those 65 and over
- Where seniors prefer to live (e.g. remain in their existing home, downsize to a smaller home or apartment, seek active retirement communities)
- What types of housing they can afford
- What special needs they might have
- What the current housing inventory provides in the way of:
 - Senior accommodations, such as size, elevators, handicap access, and safety grab bars in the showers and bathrooms
 - Proximity to services, transportation and medical facilities
 - Activities that meet the needs of this “new” aging generation.

Once the Housing Elements are comprehensively developed, the city and county community development managers should work with private developers to fulfill the needs of seniors. Although some cities do plan for senior housing, officials of the cities interviewed by the Grand Jury, indicated that they do not proactively drive the development of housing communities; they let the market dictate what specific housing segments will be planned. They may provide incentives in some cases or leverage available government funding, but it is the developer who ultimately decides that a parcel of land will become an apartment building or a senior assisted living complex.

Due to the visionary approach of Rancho Mission Viejo, the master planner of the last remaining large parcel of unincorporated land in Orange County, there is still hope. Within these planned communities of 14,000 residences, 6,000 will be dedicated to the over-55 segment, now referred to by the industry as “age-qualified.” This south Orange County area will have a mix of both dedicated “age-qualified” areas, as well as integrated communities where one street might be traditional housing and the next might be filled with homes designed for those over 55. Housing options will include downsized one-story homes or two-story homes where the master bedrooms are located on the first floor. These homes are meant to attract baby boomers who want to transfer from equity-rich homes to ones more manageable, but still remain “close to the grandkids.” Community centers will

⁹ 2000 Irvine Housing Element

¹⁰ 2000 Mission Viejo Housing Element

include pools, exercise rooms and other features that are design-appropriate for both families and the active senior. Much forethought has been given to include not only single family homes, but multi-unit retirement and assisted living facilities so that a transition to added-care environments does not require a move out of the area. It is not certain when these communities will be available, but active development will not begin before 2009.

The Grand Jury acknowledges that the state-mandated process for developing the Housing Element is an effective method to assess the anticipated housing needs for each community. However, with the impending dramatic increase in the number of seniors from the baby boomer generation, significant effort should be made to address their changing needs within the Housing Elements.

ACKNOWLEDGEMENTS

The 2007-2008 Grand Jury thanks Karen Roper, Executive Director, County of Orange Office on Aging & Homeless Prevention, for the wealth of information she provided. The time spent by Ms. Roper and her staff to respond to our numerous inquiries proved to be invaluable.

FINDINGS

In accordance with California Penal Code sections 933 and 933.05, each finding will be responded to by the government entity to which it is addressed. The responses are to be submitted to the Presiding Judge of the Superior Court. The 2007-2008 Orange County Grand Jury has arrived at the following findings:

- F-1 The Housing Elements for the cities and County of Orange do not reflect that the number of affordable senior housing units in Orange County will not accommodate the projected population.***
- F-2 The Housing Elements for the County of Orange and the cities do not focus sufficiently on or analyze the population growth and housing needs of the aging baby boomer generation.***
- F-3 Not all Housing Elements are available online for easy access by the public.***
- F-4 Municipalities are not proactive enough in encouraging the development of affordable senior housing.***

Responses to Findings F-1 through F-4 are required from the mayors of all 34 Orange County cities and requested from the CEO and the County of Orange Resource and Development Management Department.

RECOMMENDATIONS

In accordance with California Penal Code sections 933 and 933.05, each recommendation will be responded to by the government entity to which it is addressed. The responses are to be submitted to the Presiding Judge of the Superior Court. Based on the findings of this report, the 2007-2008 Orange County Grand Jury makes the following recommendations:

- R-1 Include the current and projected affordable senior housing inventory by type, location and cost in the 2008 and future years' development of the Housing Element.***
- R-2 Include sufficient data in the Housing Element to acknowledge the imminent growth in the county's aging population. This data is to include the current population and the growth trend of the aging baby boomer generation as well as the current median income and the income trend of the senior population.***
- R-3 Put all Housing Elements online on each city's website.***
- R-4 Confer with developers to establish the needs for affordable senior housing and to encourage investment in future projects.***

Responses to Recommendations R-1 through R-4 are required from the mayors of all 34 Orange County cities and requested from the CEO and the County of Orange Resource and Development Management Department.

REQUIRED RESPONSES:

The California Penal Code specifies the required permissible responses to the findings and recommendations contained in this report. The specific sections are quoted below:

§933.05

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.