

Regional Council of Mayors

September 9, 2013

PRESENTATION

Future of Senior Housing: Options and Opportunities

The number of people reaching their “senior” years is increasing rapidly in the Twin Cities, as it is everywhere with Baby Boomers reaching retirement age. Appropriate senior housing, from one-level single-family homes to independent living apartments to assisted living to full-care centers is not following suit. At least not yet.

A panel of housing providers—Brian Carey, United Properties <http://www.uproperties.com/Pages/default.aspx>; Eric Anderson, Ryan Companies <http://www.ryancompanies.com>; and Ron Mehl, Dominion Properties <http://www.dominiumapartments.com>—facilitated by Tom Streitz, director of housing and policy development for the City of Minneapolis, shared data, challenges and experiences about developing senior housing now and in the immediate future.

Seniors want to stay in their communities

“Senior housing generally serves those who have lived in that community for years,” said Carey. Anderson said senior housing is “all about a 10-mile radius, and you’re drawing 80 percent of your residents from a 5-mile radius.”

This means that when senior housing is built in a community, seniors in that same area tend to sell their single-family homes to move into it. Those single-family homes are likely to be bought by families, who tend to invest in improving them (seniors may not have had the funds or ability to do so). Overall, then the housing stock in the community is improved.

Bloomington Mayor Gene Winstead said that when seniors moved out of the rambler-style homes they had owned, the city found that besides young families, there were a number of 50- to 60-year-olds then selling their two-story homes in order to move into the single-level ramblers.

Senior housing is designed somewhat differently than other housing

Even for independent living units for seniors, there are some elements of the design that are unique, including more common spaces. Anderson said 40 to 50 percent of the space in buildings Ryan Companies puts up is common space; “It’s challenging to turn that into something else at the end of the life cycle.”

Mehl said that amenities in a senior building may be different. “We might put in a salon in a building for independent seniors, where we wouldn’t do that in another property,” he said. “The fitness centers might be laid out differently, with different machines.”

For buildings with increased care, the design will be greatly different than an apartment building for other adults and families.

Neighborhoods may be resistant to senior housing

Although most residents of a senior building are likely to come from the community around that building, there is resistance to these projects for a variety of reasons. Residents don't like the idea of senior buildings going up on what has been open land, said Mayor Gene Winstead of Bloomington. "They've been looking out over a great, open property and now it's going to change."

The panel and the mayors said that some areas are afraid that the image of being a "senior neighborhood" has residents worried about property values, traffic and parking problems from staff and visitors or having seniors with memory issues on the streets. Mayor Sandra Krebsbach of Mendota Heights said her city provides police services to Lilydale and finds that senior housing there doesn't increase crime in any way, but it does increase 911 ambulance calls.

Mayor Jerry Faust of St. Anthony said senior housing in his city has actually had a beneficial effect, making it more of a family community as seniors are able to leave their homes yet stay in the area they love.

Developers need a multi-acre site, zoning that will allow for density and communities with large senior populations

United Properties and Dominion need 2.5 to 6 acres to consider a senior project; Ryan needs 5 to 9 acres. All said they need to be able to have higher density to make the project economically viable. "Our minimum size is 120 to 130 units," said Mehl. "Construction costs are going up and it's not helping that interest rates are going up at the same time. Plus, senior buildings take longer to lease up than other rentals."

Carey said the larger a project is, the easier it is to make it viable. "If we have an 80-unit project and it gets knocked down by the city council to a 70-unit project, that makes it more expensive to buyers."

He listed other factors as well: "We're looking for significant senior populations, an area that's walkable, a good place to live. If there's any question about safety, that's a deal killer. Having retail close by is good, but it's not critical that it be walkable."

Anderson said Ryan looks at a combination of community attributes, including the age and type of senior housing in the community (is it health care-based or hospitality-based?), income level of the community's seniors and occupancy—"We won't look at a community with less than 90 percent occupancy."

Because of the real estate downturn, purchased units now require more buy-in initially. Anderson said, "We used to be able to go with 30 percent of the units reserved; now we need 75 percent." That has meant some developers giving up on projects that don't sell quickly enough.

United Properties and Dominion will look at any kind of site for senior housing, including those that might require purchase of homes or other properties, like churches. Ryan Companies typically has done senior housing only on green field sites. "It's very difficult to make it work on a redevelopment site," said Anderson.

Streitz said church parking lots create great opportunities for senior housing, since they are relatively large parcels that are intensely used for only a few hours each week. Mayor Jim Hovland said that in Edina, Colonial Church sold 4 acres in partnership to build a full-service senior building—which is already 85 percent filled.

Renting is becoming more popular—and likely to stay that way

Minnesota has had the highest rate of home ownership in the country for many years, Streitz said, about 75 percent compared to a national average of 62 percent. That is changing for a number of reasons, including loss of faith in the value of ownership because of the real estate downturn of the last few years. While Minnesota is likely to still maintain higher home ownership rates, Streitz said, “I think rental is here to stay.” Carey said that there was a lot of transition from home ownership to renting because more families had credit issues during the economic downturn—especially if their homes ended up in foreclosure. “There are people who were forced to rent,” he said. “If credit changes, you’ll see a transition back to ownership.”

Most of the senior population will be middle- or lower-income

Communities are most open to higher-end senior properties—as are developers. But, Streitz said, most seniors will be middle- or lower-income. “How do you do the affordable stuff, and how do you make it look good?” he asked.

The loss of state tax credits for senior housing has made it more difficult for developers, Streitz said, and the HUD 202 program is now gone. “There are co-ops in small communities where you can buy in for \$50,000,” he said. “That’s one model.” But it’s a model that doesn’t work without subsidies in high-demand cities.

There will always be seniors

When a senior project is proposed because of the wave of Baby Boomers entering their senior years, cities often question what will happen to that housing when the Baby Boom bulge in the population has ended. “In 2040, seniors don’t go away,” said Carey. “Their population just doesn’t grow as much.”

The buildings are special purpose, he said, so it will take some creativity to repurpose them, but it can be done.

For more information:

www.nicmap.org

[Brian Carey, United Properties Presentation](#)

[Ron Mehl, Dominion Properties Presentation](#)

[Eric Anderson, Ryan Companies Presentation](#)

EXECUTIVE DIRECTOR'S REPORT

The Urban Land Institute has supported the Regional Council of Mayors by giving free annual ULI memberships to each mayor who joins RCM but that is no longer financial viable for ULI, Caren Dewar said. Under the new membership structure, the cost of a ULI annual membership is \$215 per year. With a \$525 bundled membership, a city gets one full membership and two associate memberships, plus additional benefits. <http://www.uli.org/membership/join/> "I hope that your cities will continue to be ULI members and to get the benefits of that," Dewar said. ULI membership includes discounts on events, education programs and publications, free webinars, eligibility to participate in regional, national and global committees and more.

Jim Hovland reminded mayors that participation in RCM is not tied to ULI membership.

COMING UP

The next RCM meeting will be Monday, October 14. Topic will be MSP Export Strategy and DEED Update, with Kathleen Motzenbecker, DEED executive director. RCM meetings are held on the second Monday of every month at Dorsey & Whitney.

Mayors are encouraged to email caren.dewar@uli.org with their suggestions for topics to add to the agenda.

ATTENDEES

The following individuals were in attendance on August 12, 2013:

Mayors

Jim Adams	City of Crystal
Jerry Faust	City of St. Anthony
Mary Giuliani Stephens	City of Woodbury
Shep Harris	City of Golden Valley
Kathi Hemken	City of New Hope
Jim Hovland	City of Edina
Tim Hultmann	City of Long Lake
Marvin Johnson	City of Independence
Sandra Krebsbach	City of Mendota Heights
Peter Lindstrom	City of Falcon Heights
Mike Maguire	City of Eagan
Sandy Martin	City of Shoreview
Gene Maxwell	City of Hopkins
Lili McMillan	City of Orono
Tim McNeil	City of Dayton

Duane Poppe	City of Osseo
Terry Schneider	City of Minnetonka
Ken Willcox	City of Wayzata
Janet Williams	City of Savage
Gene Winstead	City of Bloomington

RCM City Staff/Guests

Eric Anderson, Ryan Companies; Brian Carey, United Properties; Colleen Carey, The Cornerstone Group; Mark Casey, St. Anthony Village; Bob Engstrom, Robert Engstrom Companies; Kristin Guild, City of Minneapolis; Chris Kelly, Mayors Against Illegal Guns; Larry Lee, City of Bloomington; Ron Mehl, Dominion Properties; Mathias Mortenson, Mortenson; Carolyn Olson, Greater Minnesota Housing Corporation; Jenn O'Rourke, City of Minneapolis; Julia Parenteau, Minneapolis Association of Realtors; Danyelle Pierquet, Landform Professional Services; Irene Quarshie, Target; Elizabeth Ryan, Family Housing Fund; Adam Schiff, Sen. Klobuchar's office; Will Schroeer, Minneapolis and St. Paul Chambers of Commerce; Tom Streit, City of Minneapolis; Eric Zweber, City of Rosemount.

ULI Staff/Consultants

Caren Dewar, Aubrey Austin, Cathy Bennett, Linda Picone